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Intergovernmental Group on the
Least Developed Countries
Seventh Session
(Preparatory Committee for the Second
United Nations Conference on the
Least Developed Countries)
Geneva, 26 March 1990
Item 4 of the provisional agenda

# PROVISIONAL AGENDA FOR THE SECOND UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES

## Draft provisional agenda for the Conference */

1. Opening of the Conference

2. Election of the President

3. Adoption of the rules of procedure

4. Adoption of the agenda and organization of work

5. Establishment of sessional bodies

6. Election of officers other than the President

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*/ Items 8 to 10 of this draft are derived from the mandate set forth for the Conference by General Assembly resolution 42/177.

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7. Credentials of representatives participating in the Conference:

   (a) Appointment of the members of the Credentials Committee;

   (b) Report of the Credentials Committee

8. Review of progress at the country level thus far in the decade

9. Review of progress in international support measures and particularly in official and development assistance

10. National and international policies and measures for accelerating the development process in the least developed countries during the 1990s in accordance with their long-term national, social and economic objectives

11. Other business

12. Adoption of the report of the Conference.

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Intergovernmental Group on the
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Seventh session
(Preparatory Committee for the Second
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Geneva, 26 March 1990
Agenda item 8

# DRAFT REPORT OF THE INTERGOVERNMENTAL GROUP ON THE LEAST DEVELOPED COUNTRIES ON ITS SEVENTH SESSION

Held at the Palais des Nations, Geneva,
from 26 March to 6 April 1990

Rapporteur: Mr. Vladimir Pankov (Union of Soviet Socialist Republics)

Addendum

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## INTRODUCTION

1. Pursuant to paragraph 1 (d) of General Assembly resolution 42/177, the Intergovernmental Group on the Least Developed Countries held its seventh session at the Palais des Nations, Geneva, from 26 March to 6 April 1990. Under the terms of that resolution, the Intergovernmental Group was designated to serve as the Preparatory Committee for the Second United Nations Conference on the Least Developed Countries to be held in Paris in September 1990.

2. In the course of its seventh session, the Intergovernmental Group held seven plenary meetings. This report gives a brief account of the proceedings of those meetings and of the outcome of the work of the two Working Groups established by the Intergovernmental Group to consider specific issues under agenda item 3 (i.e. Substantive preparation for the Conference).

### Opening statements

3. Upon his election to the chairmanship of the Intergovernmental Group, the Chairman observed that the plight of the least developed countries was more serious than ever - a view that was confirmed by the excellent documentation submitted to the Intergovernmental Group. Despite the good intentions of the Substantial New Programme of Action for the 1980s for the Least Developed Countries (SNPA), the 1980s had seen a deterioration in the situation of the LDCs. He felt, however, that the lessons learned and experience gained would contribute to the elaboration of a strategy for the 1990s. There was now broad agreement at least on the priorities for action in the 1990s. He was therefore confident that all participants were ready to make the utmost effort to ensure that the Intergovernmental Group, in fulfilling its role as Preparatory Committee for the Conference, achieved extensive agreement on a text which the Paris Conference could refine and complete.

4. The Secretary-General of UNCTAD referred to the extensive preparations for the Paris Conference and said that it was the task of the Preparatory Committee to build these materials into the foundations of a satisfactory outcome of the Conference. The dismal record of the 1980s for most LDCs was the result of domestic policy shortcomings, insufficient international support, inadequate structural adjustment programmes and an inclement international environment which could not have been foreseen when adopting the SNPA. The programme of action for the 1990s ought to be qualitatively different, facilitate the mobilization of human and financial resources and respond to exogenous changes. Ethics, long-term economic interest, and

ecological solidarity called for a committed partnership between the LDCs and all their development partners for the improvement of living standards in the LDCs through accelerated growth and development. In this spirit, it was essential that donors should commit themselves to a very substantial increase of ODA and to significant debt relief.

5. He said that general policy guidelines and measures in the new programme of action ought to recognize explicitly the specific characteristics of the LDCs. The programme should also provide the basis for the subsequent formulation and implementation of specific measures, tailored to the needs of individual or structurally similar countries. Hence, the effectiveness of the new programme would depend upon the quality of its follow-up mechanisms - national, regional and global.

6. In conclusion, he expressed the view that support by the industrialized countries for the LDCs should be part of a general revival of development co-operation if it was not to be regarded as divisive. Moreover, a positive result from the Conference would be in the interest of all developing countries, as failure might lead to their further marginalization. He added that the views of the secretariat on the content of the new programme of action were set out in the note by the secretariat entitled "Elements for a Programme of Action for the 1990s for the Least Developed Countries" and drew attention to statements therein concerning the respective responsibilities of LDCs and their development partners, as well as structural adjustment and its relationship to long-term development.

Message from the Director-General for Development and International Economic Co-operation

7. The representative of the Department of International Economic and Social Affairs (DIESA) read out a message from the Director-General for Development and International Co-operation which stated, inter alia, that during the last few years the world had undergone major changes and there had been further and unrelenting deterioration of economic, social and environmental conditions in many developing countries. This new situation called for a series of policy changes: assigning priority to growth and development and to the strengthening of international economic co-operation; reverting to a net positive transfer of resources to developing countries; agreeing on additional efforts in favour of LDCs and other low-income countries; and integrating into these new policies environmental considerations and those ensuing from interdependence.

8. Commenting on the implementation of the SNPA, the message stated that the record for the 1980s had been disappointing despite efforts made by the LDCs and their development partners. The technical consultations and analyses in preparation for the Paris Conference were contributing to a greater understanding of the requirements for sustained development of the LDCs. The domestic measures to create favourable conditions for development were a good starting point. International solidarity shown by developed, as well as by developing, countries - especially the newly industrialized countries and other relatively privileged countries - would enable LDCs to mobilize the required external inputs for their development. As far as the United Nations system was concerned, the Director-General assured the Group that the system would be extensively involved in the implementation of the programme of action for the 1990s and that priority would be given to the strengthening of national capacities and the development of human resources.

## Chapter I

## SUBSTANTIVE PREPARATION FOR THE CONFERENCE

(Agenda item 3)

9. For its consideration of agenda item 3, the Intergovernmental Group had before it the following basic documentation:

Report of the Meeting of Governmental Experts of Donor Countries and Multilateral and Bilateral Financial and Technical Assistance Institutions with Representatives of the Least Developed Countries (22-31 May 1989) (A/CONF.147/PC/2-TD/B/AC.17/30)

"Elements for a Programme of Action for the 1990s for the Least Developed Countries" - note prepared by the UNCTAD secretariat (A/CONF.147/PC/5-TD/B/AC.17/33)

Declaration by the Ministers of the Least Developed Countries at their Meeting in Dhaka, Bangladesh - note by the UNCTAD secretariat (A/CONF.147/PC/6-TD/B/AC.17/34 and Add.1 (English only)).

"French proposals to assist the Least Developed Countries" - contribution submitted by the Government of France (A/CONF.147/PC/7-TD/B/AC.17/35 and Corr.1)

Other contributions and background documentation made available to the Intergovernmental Group are listed in annex ... below.

10. The Executive Secretary of the United Nations Conference on the Least Developed Countries, introducing the note by the UNCTAD secretariat entitled "Elements for a programme of action for the 1990s for the least developed countries" (A/CONF.147/PC/5), stated that in the 1980s the LDCs had acutely under-achieved the SNPA global and sectoral targets. Moreover, contrary to the record of the 1970s, the LDCs' growth rate had deteriorated in per capita terms in the 1980s. To counter this, the main elements that ought to be taken into account in the formulation of a programme of action for the 1990s were: certain basic principles, a global policy framework, the mobilization of human capacities, modernization and integration of the productive base in the LDCs, and arrangements for follow-up, monitoring and review. The secretariat note enunciated three basic principles: that success depended on a strengthened international partnership; that the LDCs had the responsibility of mobilizing their national resources; and that their development partners had the responsibility of providing adequate external support. Regarding the latter, he stated that aid should be substantially increased and its quality enhanced: donors should double ODA to LDCs in the next five years and

provide 0.2 per cent of their GNP for that purpose by the end of the decade. The secretariat note also called for a comprehensive debt relief package: cancellation by all creditors of ODA bilateral debt and greater use of the Toronto options, as well as institution of new instruments to ease debt service obligations to multilateral institutions. Trade policy measures, in particular support to LDCs' diversification and export promotion efforts, were also advocated. Finally, the strengthening of LDCs' human and institutional capacities, a major task in the 1990s, implied: restraint in population growth; a favourable environment for the public and private sectors; the promotion of small and medium-sized enterprises; and fair participation of women in development efforts and benefits. As for agriculture, the modernization, expansion and integration of the productive base should be a priority.

11. The spokesman for the Group of 77 (Nigeria) stated that the developing countries were seriously preoccupied by the asymmetry in the world development pattern during the 1980s, which had been a decade of expansion and growth for developed market economies while most developing countries had remained entrenched in a development impasse. In this context, his Group shared the deep concern over the worsening of the development crisis in the LDCs. He highlighted the human dimension of the LDCs' crisis, with an increasing number of people living in absolute poverty and the socio-economic structures in many LDCs being on the verge of collapsing.

12. He formally presented, on behalf of the Group of 77, the recommendations adopted by the recent Ministerial Meeting of Least Developed Countries in Dhaka. The recommendations reflected the priorities of the LDCs and his Group expected that they would form a basis of the new plan of action to be adopted by the Paris Conference. The Group of 77 recognized the responsibility of the LDCs for their socio-economic progress and considered that development efforts in these countries should aim at the improvement of the relevant infrastructures and the full utilization of LDCs' resource bases. Structural adjustment programmes should be conceived as a long-term process primarily seeking to overcome structural bottlenecks hampering LDCs' development. In this context and in the light of past experience, he emphasized the critical importance of a supportive external environment and insisted on the need to seek a reversal of current uncertainties and other factors impeding the LDCs' development. He called for a substantial increase in the financial flows granted to LDCs on concessional terms. Donor countries were urged to double

their current aid levels to the LDCs by the year 1995, aiming at reaching a target of 0.2 per cent of GNP by the end of the 1990s. Adequate financial aid should flow within the framework of an agreed target and a consensus on a more fundamental approach to LDC debts should be sought. On market access, he called for a reversal of the declining trend in the share of LDCs' exports in total trade by removing the existing protectionist measures maintained against the LDCs in the developed economy markets. Regarding commodity exports, he called for effective measures to stabilize prices and to compensate for shortfalls in LDCs' export earnings, which in the 1980s had averaged a loss of $US 370 million per annum. He recalled that ECDC activities were designed to strengthen LDCs' capacities and invited the international community to support such activities. The debt problem of the LDCs should be adequately addressed through a consensus. In this connection, the recommendations of the Dhaka Ministerial Meeting were of particular relevance. In view of the need to adopt concrete measures, the follow-up and monitoring mechanism for the new LDCs' programme should be strengthened and UNCTAD should be the focal point of this mechanism. Finally, he emphasized the need for monitoring progress in the programmes of the LDCs.

13. The spokesman for Group B (Denmark), said that the purpose of the Preparatory Committee was to define more closely national and international policy measures for accelerating the LDCs' development process during the 1990s. He considered that the basic objectives of the Conference were the identification and adoption of concrete measures to be translated into practical and sustainable national development policies. The realism with which the problems had been approached during the preparatory process was commendable and the secretariat note (A/CONF.147/PC/5) provided a good working basis for reaching a wide range of pre-conference agreement on these issues.

14. Group B fully endorsed the need to recreate a partnership for development as the operational framework for accelerated growth and sustained development in the LDCs - a concept which acknowledged the relationship between the responsibilities of the LDCs and the support provided by the international community. He felt that the international community ought to support sound and realistic development policies and strategies formulated under the responsibility of each country concerned. These policies should maximize economic competitiveness and efficiency and be flexible to take into account changes in the world economy. Such was the purpose of the structural

adjustment programmes which ought to have the full political backing of the country concerned, respond to domestic and international realities, and be designed to reduce potential short-term adverse effects. Care had to be taken to protect the poorest and most vulnerable groups in the LDCs.

15. Group B was fully aware of the crucial importance of ODA, which was a major indicator of the international support to the LDCs. Equally important were aid effectiveness and aid co-ordination. The limited absorptive capacity of many LDCs could be a problem. Addressing the debt problems faced by many LDCs, he recognized the urgent need to implement fully Trade and Development Board resolution 165 (S-IX). He pointed out, however, that the Conference should not infringe on the work under way in other forums, nor should the aid issue overshadow the mobilization of domestic resources for development and the efforts to attract foreign direct investment in LDCs. Given the importance of commodities to the economies of these countries, efforts should be made during the current process to identify innovative ways and means of multilateral co-operation on commodities of particular concern to the LDCs. He recognized the importance of access to markets of industrialized countries in the effort to promote diversification, but noted that current trade preferences had not been fully utilized by LDCs.

16. In view of the connection between democratic and accountable political systems, individual rights and the effective and equitable operation of the national economy, Group B wished to see development strategies and co-operation highlighting the decentralization of decision-making, the stimulation of market forces in the productive sectors, the development of an efficient public sector providing a complementary framework for the private sector, the full participation of women in the development process and the utilization of NGOs' development capacities. Turning to population policies, he considered the issue of reversing the current trend in population growth rates as one of the most important challenges for the LDCs in the 1990s. Furthermore, he stressed the need to integrate environmental concerns into the development process. Commenting on the proposed follow-up measures, he emphasized that UNDP Round Tables or World Bank Consultative Groups provided effective mechanisms at the national level. These mechanisms could be improved by bringing LDC governments to the centre of the process. At the global level, Group B was slightly more hesitant, although it agreed that UNCTAD should be a focal point of a process that would become as informal and business-like as possible.

17. The representative of China, observing that the major goals and targets of the SNPA had failed to materialize, welcomed the Dhaka Declaration which had put forward specific proposals for the formulation of national and international policy measures for LDCs' development in the 1990s. His country had constantly believed that the LDCs should rely mainly on their own efforts. However, in view of the interdependence of the world economy, the success of these efforts required a favourable external environment and full international support. He considered that some basic objectives and targets of the SNPA should remain valid. In the 1990s, the LDCs needed new policy measures and initiatives and it was therefore urgent to formulate a new programme of action comprising specific objectives and targets, providing for effective mechanisms of co-ordination and monitoring at the national, regional and global levels, and summarizing and drawing lessons from the causes of the under-implementation of the SNPA in the 1980s. In formulating the new programme, sufficient attention should be paid to the issues of financial resources, trade, agricultural production, industrialization, economic diversification, human resources and the natural environment. ODA should be increased and, in order to enhance its efficiency, the assistance modalities should be improved and the procedures simplified. It was a welcome fact that, in recent years, some developed countries had taken actions to reduce and cancel part of the official debt of the LDCs. He hoped that all developed creditors would fully implement Trade and Development Board resolution 165 (S-IX). Multilateral financial institutions should contribute to the reduction of the LDCs' debt burden. Regarding trade, he said that the international community should take further measures to stabilize the export prices of primary commodities and consider the creation of a new compensatory financing mechanism.

18. In the context of South-South co-operation, China had allotted to LDCs a substantial share of its foreign aid, generally granted on an interest-free basis coupled with long grace periods. His country was willing both to expand economic and technical co-operation with the LDCs and to explore the possibility of multilateral co-operation for joint assistance in favour of these countries.

19. The representative of Canada stated that the least developed countries had been a subject of special concern for Canadian policy-makers throughout the 1980s and accordingly Canada had met the SNPA target of allocating ODA to these countries in an amount equivalent to 0.15 per cent of its GNP. Yet

despite international aid and their own impressive efforts, only a few of the LDCs had made substantial progress in the past decade; several had regressed in an alarming fashion, while the majority had barely kept pace with population growth. As to the causes of this failure, he observed that the 1980s had proved very difficult for those LDCs with large external debts. Moreover, the process of adjustment and reform had been slow and hindered by declines in terms of trade and export prices.

20. As to the remedies, he said that economic growth required that all countries develop a sustainable macro-economic policy framework and vigorously pursue long-term domestic economic reform programmes which promoted greater flexibility and openness of the economy, effective and efficient mobilization and use of financial and human resources, and greater scope for private initiative and enterprise. This required an institutional setting which allowed market signals to be received as clearly as possible by workers, savers and investors. Developed countries had a responsibility to help countries follow the path of sustainable growth-oriented policies, and to provide resources for financing development in the LDCs. Canada therefore supported the soft lending activities of the World Bank and IMF. However, the demands for resources must be matched against their likely availability - a consideration which cast doubt on the feasibility of raising the target to 0.2 per cent as was proposed in the note by the UNCTAD secretariat.

21. In general, he held that the reduction of poverty must be a central objective of development, particularly through measures to promote employment creation in both the formal and informal sectors and through the full integration of women in the development process. It was also essential to pay more attention to the natural environment and in particular to the relationship between land exhaustion, deforestation, population pressures and agricultural production and food security. Finally, broad-based development depended upon the encouragement of a participatory development process which freed individuals and groups - whether NGOs, co-operatives, small businesses or farmers - to take initiatives that were in their own interests. This also implied political structures which were open and democratic and gave greater attention to human rights.

22. The representative of Ireland, speaking on behalf of the European Economic Community and its member States, referred to the Declaration of Ministers adopted at Dhaka, which would be an important input to the work of the Paris Conference. He considered that the UNCTAD secretariat document

entitled "Elements for a programme of action for the 1990s for the least developed countries" (A/CONF.147/PC/5) provided a useful basis for the elaboration of a practical strategy to address the main problems facing the LDCs. The 1980s had witnessed, for most LDCs, falling per capita income, the continued deterioration of natural and man-made infrastructure, and a widening gap between the LDCs' situation and that of developing and developed countries.

23. He observed that the implementation of the SNPA had been a major concern of the EEC's policies in the 1980s and stated that its member States were determined in the 1990s to strengthen their co-operation policies towards developing countries, particularly the LDCs. This determination, which was reflected in the Lomé Convention, was particularly clear in the Lomé IV Convention, signed in December 1989, which signalled the unequivocal intention of the EEC not only to continue its development co-operation programmes but to increase and strengthen them. With a 10-year life span and a real increase in resources of over 20 per cent during the first five years, the Lomé Convention represented a unique commitment to future co-operation. The flexibility provided by new instruments such as the support for structural adjustment, coupled with the almost 100 per cent grant value of Lomé funds, highlighted the Community's commitment.

24. He pointed out that the LDCs must bear the primary responsibility for their socio-economic development. External assistance, however substantial, could not make up for ineffective domestic policies. He referred to the fact that there was increasing recognition among all groups of countries that certain key policy measures were essential to ensure broad-based sustainable development. These measures included, inter alia, the creation of conditions to allow for the operation of flexible and efficient markets, pricing policies reflecting economic and development realities and priorities, and openness to foreign trade and investment. Given the key role of the rural sector in most of the LDCs, the emphasis placed on sustainable rural development remained crucial. Increasing productivity and wealth creation in rural areas would contribute to food security, help generate the investment needed to prevent further soil degradation and slow down the drift towards unsustainable urbanization. Attention must be given to expanding the production and export base of LDCs to enable them to increase their participation in world trade.

25. Referring to recent international developments, he stated that the EEC countries attached growing importance to individual initiative, which, if operating in an environment responsive to market signals, offered the best

hope of sustained improvement in living standards. If economic and social policies were to meet the needs of the local population, they required full democratic participation in both their formulation and implementation. Participatory development should encompass more democracy, a greater role for local organizations and self-government and respect for human rights. The EEC also attached great importance to environmental factors for the development of LDCs. The integration of environmental, poverty and demographic factors could help to point up solutions in which the assistance required from the international community could be employed productively.

26. He stated in conclusion that, despite the emphasis on the central role of national policies, the EEC fully recognized the need for adequate and flexible international assistance in support of the LDCs' own efforts. The developed world should, in particular, ensure that the international environment was conducive to economic growth and development. Aid levels must be maintained and strengthened. The problems arising from the debt burden of many LDCs must be given due recognition and the difficulties related to the over-dependence of many LDCs on a narrow range of primary commodities for the bulk of their foreign-currency earnings must be addressed. Accordingly, he called for increased regional co-operation among LDCs, especially among those LDCs whose markets were small, and stated that the Community stood ready to assist in such efforts. The EEC attached great importance to an improved aid co-ordination and monitoring process through a more active involvement of LDCs. The international community, for its part, must pay increasing attention to the objectives of the national plans of the LDCs themselves so as to ensure the most effective donor co-ordination.

27. The representative of France stated that, as the host country for the Conference, France was bent on participating in a constructive manner and for that reason had submitted a document containing its proposals to assist the LDCs (A/CONF.147/PC/7). In that document, which was very operational, four major themes were highlighted: population (demography, health, education, training); the rational use of the national territory; development of enterprises with a view to fostering a productive private sector; and protection of the environment. The implementation of the actions to be undertaken in these areas should take into account the regional dimension, and the resources necessary should come mainly from an increased mobilization of ODA, to reach the target of 0.15 per cent of GNP, and from a more complete and

more efficient approach in dealing with the debt problems of the LDCs. The 21 measures enumerated in the document submitted by France represented a minimum, short of which the current exercise would have only limited interest. The document stressed the importance of education and training and the debt problem, as well as the monitoring and follow-up at three levels - national, regional and global. The measures proposed, which could be further amended and complemented, should be subject to a clear consensus, implying firm commitments, the implementation of which would be controlled on a regular basis. In that regard, it was hoped that the Conference would be held, as far as possible, at the Ministerial level, or even at the highest level. Referring to the recent events in Eastern Europe, he recalled that the President of the French Republic had stated that there was no question of cutting back on the share of aid devoted to the third world.

28. The representative of Bangladesh recalled the dismal development record experienced by the LDCs in the 1980s. Contrary to the high hopes generated by the adoption of the SNPA in 1981, the decade of the 1980s had been marked both by an increase in the number of developing countries belonging to the LDCs grouping and by the serious deterioration in their economic situation, with stagnation in most areas and outright retrogression in others. This was due to a combination of unfavourable external economic factors, such as a dwindling flow of financial resources, rise of protectionism in developed economies, crushing debt burden, and adverse terms of trade. These daunting problems had seriously affected the saving capacity and generation of investment surplus in the LDCs, which in turn had impaired their ability to resume growth and development, and to meet the basic needs of their populations. In trying to overcome the hurdles impeding its development efforts, Bangladesh had undertaken a wide range of development measures, as set out in the second Five Year Plan. Far-reaching administrative reforms had been implemented with due emphasis on development-oriented decentralization of the decision-making process. Bangladesh had launched a comprehensive Structural Adjustment Programme in 1983, with a view to mobilizing domestic savings reducing public expenditure. As well as a food production plan, land reforms, and incentives to encourage the private sector, foreign investment and exports, the new policy package contained demand-management policies and measures for strengthening productive sectors through greater reliance on market mechanisms. These initiatives, however, remained extremely limited in their impact. Real annual growth of GDP during the decade had been below the

SNPA and National Development Plan targets, rise in per capita GDP in real terms had remained below the level needed to sustain the development efforts. Moreover, by mid-1988 the debt owed by Bangladesh had stood at $US 9.5 billion; debt service alone accounted for about 31 per cent of his country's exports. Despite substantial progress made by Bangladesh in diversifying its exports, particularly in textiles and clothing, tariff and non-tariff barriers in the major markets had hampered the growth of this promising industry. Export earnings shortfalls were made worse by problems of compensatory financing. There was an urgent need for practical measures to facilitate the access of LDCs to the IMF compensatory financing schemes, including the CCFF, on terms that were not excessively burdensome. Additional resources should also be provided to ensure more automatic compensation to LDCs for such shortfalls. Finally, recalling the natural disasters which had so often disrupted his country's development efforts in the 1980s, he hoped that concrete measures would be considered by the Intergovernmental Group and the Paris Conference to help LDCs face the challenges posed by these natural calamities.

29. Regarding the priorities for the 1990s, greater emphasis would be given to alleviation of poverty through employment generation, development of human resources, and better provision of primary health care. While Bangladesh was prepared to take the necessary measures to achieve these objectives, it hoped that these efforts would be matched by commensurate international support in such critical areas as increased flow of resources in real terms, decisive reduction of overall debt stock and its servicing, unhindered access to markets, and provision of compensatory financing to address their external imbalances.

30. The representative of Mauritania stated that the economic development crisis was particularly severe for the LDCs, as confirmed by the results of the preparatory meetings leading up to the Paris Conference and by the documentation prepared for the Intergovernmental Group. Worse still, projections showed that standards of living for the peoples of the LDCs would continue to decline for a good part of the 1990s. Especially damaging for the LDCs was the instability of export receipts for their commodities. In order for the Intergovernmental Group to be able to submit a valid programme to the Conference, a number of principles would have to be reaffirmed: among them, that each country should determine its own development strategy; that it was

necessary to curb excessive population increase; that there was a need for external support that was qualitatively and quantitatively adapted to the diversity of the LDCs, keeping in mind the global target of 0.2 per cent of the GNP for ODA; that one should seek to achieve an international system of open economic relations, facilitating exports from LDCs and the flow of investment into those countries; and finally, that the development process should safeguard the environment and should show due regard for the men and women who would implement it.

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held at the Palais des Nations, Geneva,
from 26 March to 6 April 1990

Rapporteur: Mr. Vladimir Pankov (Union of Soviet Socialist Republics)

Addendum

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Chapter — Paragraphs

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## Chapter I

## SUBSTANTIVE PREPARATION FOR THE CONFERENCE

(Agenda item 3) (continued)

31. The representative of Nepal, speaking in his capacity as Chairman of the Meeting on the Role of Non-Governmental Organizations in the Development of the Least Developed Countries (Kathmandu, 8-10 November 1989), introduced the report of the Meeting (UNCLDC II/3). Having highlighted the nature of development NGOs and their development activities, as well as the relations between development NGOs, Governments and the United Nations system, he stressed the need to enhance the effectiveness of the NGOs' contribution to LDCs' development. NGOs should participate actively in the preparatory process leading up to the Paris Conference and in the Conference itself. Recalling some of the highlights that had emerged in the Kathmandu Meeting for the consideration of the Preparatory Committee, he stated that the Meeting had acknowledged that the NGOs enjoyed a comparative advantage in fostering grass-roots linkages, in catalyzing people's participation, and in providing basic-needs services. The NGOs were particularly good at field work and at working in an advisory capacity. They could also contribute to the formulation of national and international policies by bringing their grass-roots experiences to bear on the policy-making process. The international community should encourage the participation of NGOs in various development activities and integrate them in the development process, while at the same time respecting their autonomy and identity. In this regard, the Meeting had affirmed that the Paris Conference could take steps to ensure that experiences of the relationship between developing country Governments and NGOs were collected and analysed on a country-by-country basis, so that lessons could be drawn from them.

32. The representative of Bhutan stated that the 1980s had been for the LDCs a period in which the gap between expectations and realities had widened a great deal, as growth rates in most of the LDCs had failed to achieve the target set by the SNPA. Bhutan, a land-locked country, was one of the last countries to engage in the modernization and development process. Agriculture was the mainstay of the people, but only 8.8 per cent of the land was available for cultivation. Since 1961, when isolation had ended and modernization had begun, the situation had changed, with the help of external assistance from development partners. A GDP growth rate of around 6 per cent

had been achieved, raising the current per capita GDP to $US 209. In the 1990s, Bhutan would be implementing its seventh five-year plan and a part of the eighth, with a focus on: development of human resources, enhancement of rural living conditions and incomes, self-sufficiency in food, conservation of the environment and mobilization of domestic resources, including the strengthening of the industrial base. The Government was fully committed to the development of the private sector and had initiated the process of privatizing public-sector industrial and commercial activities. The emphasis in trade and industry was on development of power and export promotion. A major project, in the area of environmental protection, was the proposed green belt along the Bhutan-India border.

33. The most important issue now, for Bhutan, was the need for increased technical and financial assistance to strengthen the productive base and consolidate social infrastructures. In order to improve co-ordination and effectiveness, donors were requested to focus their assistance on specific sectors according to the national five-year plans.

34. The representative of the United Kingdom of Great Britain and Northern Ireland observed that, despite improvements in the world economy in the 1980s, the share of the LDCs in world trade had declined, the economies of many of them had stagnated and the results expected of the SNPA had not been fully realized. With regard to the approach which the Preparatory Committee, and hence the Conference, should take, he said that there was no across-the-board solution to development problems and that there was no substitute for realistic development planning on a country-by-country basis. The Committee, therefore, should not seek a general categorization and blanket treatment of issues. There was a need to target the available resources most effectively and the Committee needed to stress the balance of responsibilities between donors and aid recipients.

35. The basic objectives of the United Kingdom's aid programme, which was rising in real terms with improved effectiveness, were the promotion of economic growth and social progress, and the alleviation of poverty. He stated that the assistance for Eastern Europe announced by the British Government was separate from, and additional to, the planned aid programmes.

36. In considering the effectiveness of aid as a condition of its commitment, he stressed the importance of implementation of structural adjustment programmes agreed with IMF and the World Bank, of protecting and enhancing the

global and national environment, of promoting private enterprise through liberalization and privatization, and of developing human resources and skills, in particular through administrative reform, accountable government, and participation of individuals in development. The discussion in the Preparatory Committee and at the Conference should result in an improved appreciation of the domestic policy requirements in the LDCs, a recognition and growing transparency of measures that had already been undertaken, and a commitment to improving the international economic environment in which the LDCs' prospects for growth could be enhanced.

37. Speaking on behalf of Denmark, Finland, Norway and Sweden, the representative of Norway said that a programme of action for the 1990s should be realistic, comprehensive and, to the greatest extent possible, binding in nature. It should spell out the actions called for by the LDCs and their development partners, and thus forge a genuine partnership for development. The Nordic countries fully agreed that there was a need for reforms in LDCs to lay the basis for sustained growth and to secure the most efficient use of scarce resources. Reform programmes needed to be fully "owned" by the individual Governments and to take due account of economic, social and political factors. The Nordic countries believed that human resource development should be at the centre of a new action programme. This implied giving increased attention to areas such as education, health and social services and the problems of the unemployed and under-employed. In this context, the Nordic countries strongly believed that priority attention should be given to strengthening the role of women in development in the LDCs. In the view of the Nordic countries, human resource development went beyond the accommodation of basic needs to include the enjoyment of political freedom and other human rights, participation in community activities, a clean physical environment, and a satisfying life. Environmental problems must be fully reflected in the action programme as well as in the national development programmes of each LDC.

38. She expressed the Nordic countries view that the capacity of the LDCs to absorb external aid should not become an excuse for donors to refrain from increasing their ODA flows to the LDCs. The Nordic countries attached the utmost importance to the question of ODA flows to the LDCs and would like to see this clearly reflected in the action programme for the 1990s. They believed that developing countries in a position to do so should also

contribute, thus emphasizing the global character of the programme for the 1990s. The Nordic countries hoped that positive political developments in the world today would allow more resources to be channelled towards economic and social development in developing countries. At the same time, special care must be taken to ensure that recent political developments did not result in a diversion of concessional resources from developing countries, in particular the LDCs. The Nordic countries saw the need for a strengthening of the current debt relief measures taken by the Bretton Woods institutions and in the Paris Club in order to make debt burdens more compatible with the development needs of the LDCs. The Nordic countries acknowledged the need for LDCs to increase their share in world trade and that this would require appropriate domestic policies, as well as special measures from the international community, such as, inter alia, technical assistance to LDCs with regard to the diversification and promotion of exports. New opportunities to lessen the strong commodity dependence of many LDCs would arise from the Second Account of the Common Fund for Commodities. She also stressed the importance attached by the Nordic countries to the follow-up mechanism of the action programme for the 1990s for the LDCs.

39. The representative of the Department of International Economic and Social Affairs (DIESA) said that stagnation and steady decline in the international prices of commodities throughout the 1980s had made it difficult to promote the structural changes needed to overcome the economic difficulties of the LDCs. These small countries were highly dependent on primary commodity prices. Although there were reasons to be optimistic about the growth of the world economy in the 1990s, the LDCs would continue to suffer the negative effects of external shocks and their economic growth - at around 3.2 per cent a year - would continue to be very low.

40. In DIESA's view, poverty alleviation was the first priority, and the 1980s had demonstrated the relationship between economic growth and the existence of a healthy and well-educated workforce. Improvement in the human resource base and a reduction in the population growth rates were thus two of the main targets to be achieved. To reduce their vulnerability to external developments, the LDCs needed to overcome their long-term structural problems through diversification and industrialization. At the same time, the LDCs were enormously dependent on traditional forms of energy: they must reduce their dependence on imported fuels, and increase the efficiency of their energy production, distribution and use.

41. The representative of the United Nations Children's Fund (UNICEF) observed that, a decade after the adoption of the SNPA, the under-five mortality rate and the adult illiteracy rate in the LDCs were higher than corresponding rates in other developing countries, and the LDCs were noticeably lagging behind in protecting children through immunization. Children in the LDCs continued to be victims of war, political upheaval, natural disasters and famine. The number of street children had grown and child abuse was also on the increase. The impact of economic reversals and adjustments on human development had been a serious setback for LDCs. The prevalence of malnutrition affected mental development, which in turn affected the "human capital" for development.

42. The strategy for the LDCs in the 1990s therefore lay emphasis on long-term human goals with the aim of reducing poverty and ensuring environmental protection and human development. In the 1990s, significant steps had to be taken towards the alleviation of poverty, the increased flow of external resources, debt relief, and agreements on trade and commodities favourable to LDCs.

43. In its task force on child survival and development, UNICEF had proposed a set of goals for children in the 1990s comprising: reduction in infant (under-five) and maternal mortality; reduction in severe and moderate malnutrition; an increase in adult literacy; access to safe drinking water and sanitation; and access to basic education. Taken together, those goals required extraordinary efforts. The resolution of regional conflicts and progress towards arms reduction - both in the super-Powers and in the military expenditures of the LDCs themselves - would help in achieving these objectives. New approaches needed to be sought for increased flows of resources, lower trade barriers and greater debt relief.

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# DRAFT REPORT OF THE INTERGOVERNMENTAL GROUP ON THE LEAST DEVELOPED COUNTRIES ON ITS SEVENTH SESSION

held at the Palais des Nations, Geneva,
from 26 March to 6 April 1990

Rapporteur: Mr. Vladimir Pankov (Union of Soviet Socialist Republics)

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## Chapter I

## SUBSTANTIVE PREPARATION FOR THE CONFERENCE

(Agenda item 3) - (continued)

44. The representative of the Asian Development Bank (ADB) said ADB assistance to the LDCs was provided exclusively from the concessional Asian Development Fund (ADF) and accounted for more than half of the $8 billion total ADF financing; it also represented about 10 per cent of the external flows of the LDCs. Agriculture, energy and both physical and social infrastructure had been the principal sectors that had received Bank assistance in LDCs. Given the constraints on domestic resources in LDCs, standard Bank financing covered 80 per cent of total project cost, implying in many cases a large proportion of the local currency expenditures. To help overcome limitations in absorptive capacity, the Bank had provided assistance for institutional development.

45. He stressed that the primary responsibility for promoting economic development in the LDCs rested with the countries themselves. Of particular importance in this regard were sound macro-economic and sector policies, purposeful resource mobilization and adequate resource allocations to key development, and improved absorptive capacity. In its policy dialogue with Governments, the Bank sought to facilitate such adjustments in sector policies. The Bank's future operations would continue to be oriented principally towards economic growth, through expansion of the productive base of LDCs and of their physical infrastructure. At the same time, given the need for equitable and sustainable development, the Bank would give priority to social infrastructure, poverty alleviation and environmental protection. Social sector investments would emphasize education, health, water supply and sanitation, and urban development. Population concerns would be addressed mainly in health projects. The Bank would help LDCs to launch a more direct attack on poverty, with the accent on providing access for the poor to productive assets for income generation and on greater involvement of women. In this context, the Bank would co-operate with NGOs. Measures would be taken to eliminate or minimize environmental risks in all Bank-financed projects. Efforts would also be made to help LDCs improve the environment, such as through reforestation. Another priority area for the Bank would be assisting LDCs to expand the role of the private sector in their economies. In all these fields, assistance would be provided for strengthening institutional capacity in LDCs.

46. With respect to disaster mitigation, he said that ADB's efforts would focus on quick response after disasters to minimize disruption of essential services and on co-ordination of rehabilitation efforts at the national and international levels. Finally, he stressed the importance that ADB attached to donor co-ordination. Over the years, ADB had developed mechanisms for such co-ordination and would continue to improve their effectiveness in the future.

47. The representative of the United States of America said that the approach adopted in the UNCTAD secretariat note (A/CONF.147/PC/5) provided a good starting point. External assistance could contribute only marginally to solving the development problems of the LDCs. For their part, the LDCs had to commit themselves to comprehensive policy reforms, which included allowing free markets and the private sector to flourish, fiscal and monetary discipline, the development of human and material resources, the encouragement of investment and savings and an end to bloated Governments. The United States Government did not support schemes in the commodity field and elsewhere which would divorce the LDCs from market realities. Moreover, his Government could not support proposals to cancel debt to multilateral institutions as it would jeopardize their financial integrity, nor could it accept certain debt proposals in the secretariat note. His Government would help the LDCs help themselves but was not prepared to provide assistance without some indication that effective policies were in place. These included not only economic but also political reforms: one-party States, military Governments, corruption, intolerance of dissent, poor investments, the institutionalization of gross inequalities, discrimination, lack of accountability, and the absence of the rule of law were also obstacles to development, often side-stepped in development discussions which instead had taken an approach leading to calls for arbitrary aid targets. His Government opposed the use of aid targets. Thought should be given rather to how the money was spent and, more generally, to the correlation between economic progress and political reform, as political problems were often at the root of the economic plight of the LDCs.

48. He stressed the link between individual development and national development: economic development depended on the cultivation of human resources without discriminatory policies towards minorities or women. Individual development also meant universal education: a productive private sector and civil service depended obviously upon an educated workforce. The protection of basic human rights furthered development by creating an

environment where the rule of law prevailed. He recalled that concern about the rights of developing-country citizens was an integral part of the United States Government's approach to development. He also pointed to the link between political accountability and development, as it was widely perceived that the crisis of governance in the third world was due to the expropriation of the machinery of government by the elite. Free elections and a free press were the most effective means to remedy that situation and also to check corruption. Donors themselves were not exempt from blame, at times - for commercial reasons - selling projects that were inappropriate to local conditions. He also encouraged donor countries to outlaw the use of bribes and kickbacks by their companies in order to get contracts. Eliminating unnecessary government controls, privatizing economic activities, and constructing a smaller, more efficient public service were all important. The Paris Conference could bring those sensitive issues to the forefront of the development debate by focusing on how best to promote progress where it was most desperately needed.

49. The representative of Japan considered that a new programme of action for the LDCs for the 1990s should be based upon an objective and overall assessment of the experiences of the SNPA for the 1980s, and upon a realistic medium- to long-term economic projection for both the LDCs and their development partners; should provide a flexible framework to accommodate differences in individual LDC needs and problems, while allowing for adjustment to the rapid changes in the international economy; and should be laid down in a forcible and succinct manner, enabling LDC policy-makers to draw orientations easily.

50. He stressed the importance of human resources development - a prerequisite for institution building - which required increased efforts in management training and efficient and dynamic deployment of personnel. Markets and private enterprises also had an important role to play, as they were the engine of dynamic growth for the LDC economies in the long term.

51. Turning to natural disasters, he noted that an increased awareness of that paramount issue was discernible but considered that even more acute attention and an increased level of international co-operation in natural disaster prevention were required. As for the important aspect of partnership in development, he underlined the primary responsibility of the LDCs themselves for their own development, external assistance being complementary in nature.

52. He then outlined the measures taken by the Government of Japan in development assistance to the LDCs. After achieving the SNPA target of doubling the amount of its ODA to the LDCs in 1986, his Government had, in June 1988, set a new medium-term target for the five years 1988-1992 aimed at increasing the aggregate amount of ODA to more than $US 50 billion, thus more than doubling the aggregate volume of ODA disbursed in 1983-1987, which included non-project-type untied grant assistance totalling $500 million over three years ending in fiscal year 1989, and decided to extend for a further three years to $600 million, to support economic policy reforms in low-income developing countries, especially in Sub-Saharan Africa. With regard to debt problems of LDCs, his Government had actively contributed to working out arrangements to implement the "Toronto Scheme". Concerning trade, he expected that the Common Fund for Commodities would prove useful, in particular for the LDCs. Japan, the largest contributor to the Fund, had already made its first payment (some $10 million) to the First Account and would soon make its first voluntary contribution ($9 million) to the Second Account. In order to promote access for LDCs' products to the Japanese market, Japan had been implementing special LDC measures under its GSP scheme, whereby duty-free and ceiling-free tariff treatment was accorded to LDCs with respect to all products of LDCs origin covered by the scheme, which should be fully used by LDCs.

53. The representative of Afghanistan recalled that his was a land-locked least-developed country which had an underdeveloped agricultural economy and lacked modern infrastructures. The literacy rate was less than 10 per cent and only 32 per cent of school-age children were enrolled in schools. The majority of the people had limited access to medical services and only 6 per cent of the population had access to electricity. The 1980s had been one of the most difficult decades in the history of his country, as the continuing tragedy of war had resulted in colossal material, human and cultural damages to the national economy that amounted to the equivalent $US 10 billion. As a result, the GNP had declined by an average 1.2 per cent annually while the decline in real per capita income was 3 per cent due to population growth. Another result was that the country had failed to achieve even half of the development objectives of the SNPA. In addition, the decade witnessed a unilateral termination of ODA and other aid and grants promised by a number of countries and international financial institutions.

54. The Afghan Government, despite limited resources and economic sanctions, was launching a programme of rehabilitation and development to cover the 1990s in two five-year interlinked phases: phase I covering the return and settlement of displaced people, and phase II the reconstructuring and rehabilitation of the infrastructure of the economy. It was calculated that to implement this programme the country would need over $US 6 billion from external resources to fund its development programmes for the the 1990s. Because of the problems created by the war, his country would require specific attention in the Paris Conference. He also urged the institution of a special fund for all war-stricken LDCs.

55. The representative of the Federal Republic of Germany observed that the climate at international conferences had become much more constructive, pragmatic and realistic in recent years. However, 10 years after the first United Nations Conference on the Least Developed Countries, these countries still faced huge problems and the number of LDCs had grown. For internal and external reasons, the measures taken during that period had not produced the expected results. However, strengthened partnership could improve the situation of the LDCs in the 1990s even if some of the priorities set by the partners for that decade differed slightly. His country was worried about such interlinked challenges as poverty, environment and population, where effective action was essential. He therefore encouraged the LDCs to give more emphasis to population issues, observing that the Dhaka Declaration did not give this problem the weight it deserved.

56. The Government of the Federal Republic of Germany agreed that the prime responsibility for sustainable development lay with the countries themselves. Development policy was without doubt part of the sovereign responsibility of each country. Assistance from outside could only be supportive and this support, bilateral or multilateral, would be more effective in open and democratic societies where the full and dynamic participation of the people in economic development and the political process was realized and where the basic rights and individual freedom of the citizens was guaranteed.

57. Referring to the recent events in central and eastern Europe, he stated that his country's relations with the developing countries would not be curtailed by these events. His Government had already substantially contributed to debt-alleviation of LDCs and other developing countries. He assured his country's development partners that the Federal Republic was conscious of its international commitments and would continue to honour them.

His Government would not cease in its active support for the developing countries and the German public had repeatedly proved that it endorsed this policy.

58. The representative of Myanmar enumerated the different factors that had prevented the LDCs from achieving the SNPA targets despite their relentless efforts. Referring to the situation of his country, he stated that, in response to the need to restructure the economy for the purpose of making it compatible with the changes in the international economic and business environment, his Government had initiated economic reforms in late 1988 that included the complete roll-back of the then-prevailing socialist economic system. Central to those reforms had been the introduction of measures for promoting and diversifying exports, abolishing price controls and subsidies, encouraging domestic and foreign investments and giving the private sector the role it deserved in the economy. Other institutional steps, such as the enactment of the foreign investment law and the improvement of the banking system to facilitate the implementation of the reforms, had already been taken. His Government had also embarked on a new policy of joint ventures with international and foreign companies in many fields, especially in those related to the rational development and exploitation of natural resources.

59. In conclusion, he said that LDCs had been highly vulnerable to the vagaries of the world economy because of their fragile economic structure, which was extremely sensitive to external influences. For that reason, the national efforts of LDCs in carrying out their primary responsibility should be supplemented by more concrete support of the international community, namely greater inflow of foreign assistance (to the level of 0.2 per cent of donors' GNP), development assistance mainly in form of grants, writing off of ODA debt and setting up of the compensatory financing schemes for export earnings shortfalls by all developed countries.

60. The representative of the European Economic Community spoke of the experiences EEC had accumulated in implementing the Community's development co-operation programmes with LDCs, based on the successive Lomé Conventions between the EEC and the ACP countries. Central to the Lomé Convention was the fact that support provided by EEC was directed to the priorities identified by the individual ACP States. Notwithstanding eastern Europe's demand for attention, the EEC development co-operation programmes would not only continue until the end of the century, but were also being strengthened through increases in aid flows, greater concessionality, improvements in the operation of STABEX and SYSMIN, and numerous other advantages such as trade access.

61. In order to ensure that the least developed countries were more successful in the coming decade in avoiding the poverty trap and in overcoming under-development, it was necessary that the dialogue and co-ordination between all those involved in the development co-operation process be improved. In this regard, there was need to define priority areas for attention in the partnership for development between the LDCs and the international community. One such area was rural development and food security, given its links with many other areas of the economy. Insufficient attention to rural development in many LDCs had resulted in a lowering of food production, growing urbanization and often increased environmental degradation. Such negative consequences could be reversed through greater priority being given to rural development, which had been at the centre of the Community's development co-operation activities and was likely to be so in the coming years.

62. A second critical area of importance for the development partnership was the area of commodities and trade. Despite the wide-ranging possibilities for preferential treatment given to LDCs by the European Community, insufficient use had been made of these trade arrangements. What was required, therefore, was assistance to the LDCs to help them benefit fully from preferential trade treatment. The opportunities offered by improved regional co-operation needed particular attention.

63. A third critical area was human resources and population, considering that the weakness of institutions, both public and private, in many LDCs had been an obstacle to development. There was, therefore, a need for more trained managers, administrators, and so on, to enable the LDCs to acquire, utilize and adapt technologies.

64. The representative of Italy said that the timing and the manner of implementing structural adjustment programmes could result in the degradation of the economic infrastructure of a country, thereby impairing its future long-term development. One remedy would be to ensure that aid-financed projects did not impose fiscal burdens on recipient LDCs, at least for as long as the structural adjustment programme was in force.

65. Turning to sectoral planning and priorities, he said that, although high priority was given to the rural sector, insufficient attention had been given to support bodies, such as credit institutions, agricultural extension services, and business and technical training institutions. Appropriate investment in these areas would create and develop indigenous entrepreneurial expertise, and would serve as a check to the rural-urban migrators.

66. As for loss-making public enterprises, they could not all be liquidated nor could they all be privatized, at least in the short run. Small, micro-enterprises in LDCs could not, at least in the short and medium term, assume the tasks that the private sector could and was assuming in the more advanced developing countries, not to speak of developed countries. In this regard, he urged the donor community to broaden its perspective from an exaggerated emphasis on privatization, and instead to devote some of their human and financial resources to streamlining public enterprises potentially able to prosper and, given the right management, to recover their financial and operational autonomy.

67. The representative of Somalia recalled her country's economic experiences in the 1980s. It had been a decade marked by economic and environmental crisis, the consequences of which were being felt despite many initiatives undertaken by the Government, including the adoption of the structural adjustment programme. Some of the prevailing critical problems were: low savings capacity; scarcity of trained and skilled manpower; poor physical and institutional structure; low agricultural productivity; underdeveloped private sector; and limited capacity to design and implement projects, etc. To tackle these problems, Somalia had now realized the need for partnership between the Government, the private sector and non-government entities. In this regard, the Somali economy would respond to market forces in the 1990s. Existing public enterprises will be reviewed and the private sector encouraged to invest in all productive sectors of the economy.

68. Although Somalia was an LDC, it was endowed with many unexploited possibilities in its people, its land, and its marine resources. Somalia was determined not only to develop the capacity to exploit these resources, but also to utilize effectively them by identifying bottlenecks, and tackling development problems through timely and appropriate programme and policy interventions. In this regard, Somalia would rely on substantial international support as a supplement to its own national development effort. In specific terms, she strongly urged that the structural adjustment programme be implemented within realistic long-term development perspectives, official development assistance be increased, the debt burden of the LDCs be alleviated, aid modalities and co-ordination improved, and access to markets of developed countries improved.

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## Chapter I

## SUBSTANTIVE PREPARATION FOR THE CONFERENCE

(Agenda item 3) (continued)

69. The representative of the Philippines stated that his country associated itself with the general perspective and analyses contained in the statement by the spokesman for the Group of 77. He described the contribution made by the Technical Assistance Council of the Philippines to the international community's efforts to help solve some of the long-standing problems of the LDCs in their struggle for survival and economic development in areas where Filipinos had gained some expertise and competence. During the 1980s, the Technical Assistance Council had offered 19 training programmes ranging from six weeks to three months, covering such areas as agriculture management, rural banking, industry and tax research, project study preparation, small business consultancy, energy management, forestry development, etc. For the next two years the Council of the Philippines had organized the following courses: improved irrigation management, management of agro-forestry, ship-building and repair, enhancing the role of women, planning and resource utilization.

70. The representative of Niger, speaking in her capacity as Chairperson of the High-level Experts Meeting on the Role of Women in the Development of the Least Developed Countries held in Niamey, Niger, from 29 to 31 January 1990, said that the social, cultural and economic differences between LDCs and developed countries were remarkable when it came to the role played by women. Women's problems in LDCs related primarily to: cultural and social discrimination; integration difficulties; training; lack of access to credit and low salaries. It was necessary to increase the benefits derived by women from technological and other advances in agriculture. At the same time, Governments must develop new technologies which allowed women to work in improved conditions. Health and training must also be one of the main targets for LDCs in relation to women's work, and measures to increase their productivity and promotion must be adopted in coming years.

71. The development of credit facilities was one of the most important targets to aim for, as this would allow women to participate more fully in small private enterprises. Government aid was necessary for that purpose. For this reason, international institutions such as IMF and the World Bank must analyse the real situation of women in the LDCs and seek to create special programmes to promote the integration of women in LDC societies. She

noted that NGOs and some United Nations agencies were working in this direction in the context of the structural adjustment process.

72. The representative of Malawi stated that, through structural adjustment programmes carried out in consultation with the World Bank and IMF during the 1980s, Malawi had made great strides in institution building, expanding its export base and allowing market forces to operate and thus influence the price of products and the allocation of resources. Apart from the traditional tobacco, tea, and sugar exports, there had been expansion of such exports as coffee and pulses. Malawi also continued to encourage agro-based industries, export-oriented industries, and export market diversification. The average annual growth in real output of 2.4 per cent during 1980-1989 had been far short of the annual population increase of 3.4 per cent. The export-led growth strategy had been partly checked, however, by the poor commodity export prices. This meant that agricultural output growth had not been as high as planned for. Moreover, the formal sector employment expansion had been moderate, leaving most of the additional work force underemployed. External factors such as transport problems and natural disasters (e.g. floods, tremors and, in some years, drought) had made the adjustment efforts more difficult to sustain.

73. Summarizing the economic achievements in general, he agreed that the 1980s had been a difficult period. However, out of these difficulties, lessons had been learned that gave hope for the future.

74. Concerning policy options for the 1990s, he proposed that a major focus of the Preparatory Committee and the Paris Conference should be a commitment to improving the international economic environment; a review of domestic policies which might have hindered the growth potential of the domestic economy; a reflection on some regional constraints to growth and trade; and the devising of programmes aimed at enhancing regional trade and co-operation.

75. The representative of Mali stated that the main problems currently affecting his country were an agricultural production that was frequently subject to natural disasters, an inconvenient geographic situation, an unbalanced external exchange and a heavy economic dependence on developed countries. The main factors relevant to the domestic economy were low purchasing power, a reduction in real salaries, low capacity for savings and, in general, a weak economy. In recent years, Mali had been applying a

structural adjustment programme supported by IMF, the World Bank, the United States, Japan and Saudi Arabia. This had led to decentralization of the development process, and the Government had created a regional fund to improve local development. Mali had also begun to put into practice the social and economic policies promoted at the first United Nations Conference on the Least Developed Countries. In consequence, macro-economic variables had improved in recent years; GDP had increased by 4.5 per cent and the public budget deficit had been reduced by 9.5 per cent of GDP. At the same time, the balance-of-payments deficit had decreased to 15.5 per cent of GDP. Thanks to those reform measures and to the relative improvement in climatic conditions, Mali had had a cereal surplus in the 1989/90 crop year, which had enabled it to help another country in which external conditions had been unfavourable in 1989. Finally, he called for an increase in the resources of the multilateral institutions and agencies which played such an important role in the development process for LDCs.

76. The representative of Benin stated that all social and economic indicators of the LDCs indicated that the objectives of the SNPA adopted in 1981 remained valid. Generally speaking, in the past two years there had been a net transfer of resources from poorer countries to richer countries. The structural adjustment programmes pursued in the 1980s by least developed countries, in association with the Bretton Woods institutions, had been accompanied by high social costs.

77. Benin had embarked on profound political reforms with the main objective of establishing democracy. Hence, the current economic and political conditions in his country were more than ever conducive to strengthening Benin's co-operation ties.

78. He expressed the hope that the Paris Conference would provide for an increase in the volume of public aid in favour of LDCs, and some simplification in the procedures for its mobilization. He considered that privatization and observation of market rules would not suffice to make the exports of LDCs competitive, where the private sector was performing in the absence of an operational public sector. The quality of management in this area also needed to be improved.

79. The representative of the Union of Soviet Socialist Republics, recalling that the main tasks for the forthcoming Paris Conference were to review the implementation of the SNPA and to adopt a new international strategy for socio-economic development for the LDCs for the 1990s, stated that the

preparation for the Conference was an important area of Soviet multilateral economic diplomacy. The Soviet Union had, in principle, agreed with the UNCTAD secretariat's approach concerning the main elements of a programme of action for the 1990s for the LDCs and supported the statement made in the Dhaka Declaration that UNCTAD should continue to serve as the focal point for the review and appraisal of the implementation of the programme for the 1990s, as should its secretariat for the provision of support to the global review mechanism during the decade.

80. He pointed out that, for several LDCs, the USSR was one of their main trade and economic partners. During the 1980s economic assistance to the LDCs had exceeded 0.15 per cent of the Soviet GNP. The USSR had striven to increase the efficiency of its co-operation with the LDCs, by identifying the optimum areas, forms and modalities on a case-by-case basis. The Soviet Union had increased its participation in the creation of a favourable economic environment for the development of the LDCs. A growing number of LDCs were receiving assistance from the USSR and the role of Soviet aid in the diversification and strengthening of the LDCs' export potential had increased. Finally, he stated that the Soviet Union was looking for the best means to resolve the LDCs' debt problems on a multilateral and bilateral basis.

81. The representative of Yugoslavia said that the 1980s had witnessed deepening disparities between developed countries and developing countries. Since the adoption of the SNPA, the position of the LDCs had deteriorated. The lack of development in most LDCs was due to the international economic conditions and to the non-fulfilment of the SNPA obligations on international support measures. Other causes lay in the limited success of the structural adjustment programmes and in the insufficient attention to long-term development priorities, to the basic needs of people and to domestic shortcomings. The political détente under way should be followed by a joint approach to economic problems. The Paris Conference should attend to the requirements and the framework for a balanced and sustained development of the different parts of the world, including especially the LDCs.

82. Outlining the main elements of a programme of action for the 1990s for the LDCs that would redress their situation, he said it was necessary to undertake structural adjustment programmes which would reconcile the provision of basic human needs and the achievement of long-term self-sustained growth with short-term stability in macro-economic relations. For this, a proper macro-economic policy framework would be necessary, which would contribute to

financial stability, stimulate savings and investment, improve the use of all resources, respect the autonomy of entrepreneurs and motivate the private and the public sectors. The alleviation of poverty would be given the highest priority in the short term. In the long term, it would be necessary to rehabilitate and expand the productive base in the agricultural sector (to expand food supply and diversify the production) and in the industrial and services sectors. This would require improvements in the areas of human resources development, technology adaptation and generation, physical infrastructure, institutional capabilities, exploitation of natural resources and management of the environment.

83. Turning to international support measures, he said that the UNCTAD recovery scenario for the LDCs, with its essential requirement of an ODA target of 0.2 per cent of the GNP of donor countries, was highly acceptable. He highlighted such other necessary measures as: enhancing the quality and efficiency of international assistance through an increase in concessional aid, in grants and in untied aid; further adaptation of the adjustment support measures of international financial institutions; a more fundamental approach to the problem of debt and debt relief; a much greater improvement in the international trading system in terms of export diversification, access to developed-country markets and compensatory financing; greater efficiency in national measures and international support to solve ecological problems; upgraded co-operation between LDCs and other developing countries; and, finally, more effective follow-up and monitoring mechanisms at the national, regional and international levels, with UNCTAD continuing to serve as a focal point with an expanded role.

84. The representative of the United Nations Department of Technical Co-operation for Development (UN/DTCD) stated that his Department had assisted a number of LDCs in preparing their country presentations. Those economic studies, which would be presented to the Paris Conference, reviewed the economic performance of respective countries with regard to the implementation of the SNPA and presented strategies for the 1990s. UN/DTCD had also provided technical co-operation and specialized expertise to developing countries. This was manifested, in particular, in the guidelines for the use of the Department's allocation of funds to the least developed countries. Special attention had been given to Africa, especially after the adoption of the SNPA in 1981 and the adoption of UN-PAAERD in 1986.

85. He observed that, in recent years, LDCs had been faced with growing debt and balance-of-payments problems. The UN/DTCD had emphasized national economic adjustment and recovery programmes in the LDCs for short-term equilibrium in external and domestic sectors, without losing sight of longer-term development objectives. External contributions would remain indispensable to supplement the national efforts of the LDCs and UN/DTCD stood ready to continue to make available its support to the LDCs.

86. The representative of the Netherlands noted that the Paris Conference was one in a series of international meetings which constituted the international agenda for the 1990s. The credibility of the efforts in favour of LDCs required a periodic review of the list of LDCs. His delegation therefore agreed that, on the basis of a recommendation of the Conference, the Committee for Development Planning of the United Nations should be requested to take up this matter again in the near future. Drawing lessons from the past, he emphasized the need for policy measures to be taken by LDCs, external support to LDCs, and the mechanism for follow-up action. He believed it was time for LDCs to give more attention to conditions for growth and sustainable development in a broader sense that implied, inter alia, increasing internal savings, creating a positive investment climate, optimal allocation of resources (including cuts in military expenditures), private initiatives, accountability of government and political pluralism and respect for human rights.

87. He considered that the most important form of external support for the LDCs was the provision of opportunities for increased exports and access to markets in a growing non-inflationary world economy. Given the fact that the flow of private sector funds to the LDCs had dried up, he called for a considerable increase in ODA, particularly in the first half of the 1990s.

88. With regard to the follow-up action, he hoped that the Conference would formulate concrete recommendations with regard to strengthening of monitoring and implementation mechanisms at the country level.

89. The representative of Togo stated that the LDCs should assume greater responsibility in the development of their countries through further mobilization of available resources and potentials. The LDCs should also restructure their administration, which was currently the main obstacle to development. There was also a need for elaboration of long-term macro-economic and sectoral policies, with special attention being given to the social dimension and the role of women. International aid and technical assistance were only supplementary to the efforts of the LDCs.

90. The efforts of the Government of Togo, supported by the Bretton Woods institutions, in its first three programmes for structural adjustment and financial stabilization, as well as the assistance rendered by bilateral and multilateral donors, had resulted in an increase in the GDP of Togo in real terms since 1984. Despite this positive development, his country still suffered serious structural problems, mainly in the form of a current-account deficit. Taking into consideration the unfavourable external environment, his Government believed that a strengthened domestic adjustment policy was necessary to absorb the external aid and to generate the necessary conditions for a sustained and durable growth. With that in view, Togo had prepared, in collaboration with UNDP, a development programme for 1991-1995 with the main objectives of 4 per cent growth in GDP in real terms, a low level of inflation and a reduction of the current-account deficit. Other objectives included diversification of agricultural production, restructuring of institutions in charge of economic management, and selective privatization and promotion of the private sector. To achieve these objectives, his Government counted on the support of donor countries and multilateral organizations.

91. The representative of the Lao People's Democratic Republic stated that, in an effort to overcome the difficulties his country had experienced in the 1980s, a new economic policy labelled "new system of economic management" had been introduced in 1986. The implementation of such a policy, together with the external assistance received, had yielded positive results. Efforts in the 1990s would be devoted to a number of priority areas including food self-sufficiency, agro-forestry developments, transport and communications improvements, reinforcement of administrative capacity, and the development of human resources. The private sector would be able to play a more active role in the process of economic reconstruction and restructuring carried out by his country. His Government was concerned, however, with the means for the implementation of those objectives. It was encouraging to note that the developed countries were committed to contributing to the efforts of the LDCs to overcome some of the problems of underdevelopment.

92. He stated that his country was willing to have economic relations with all countries on the basis of equality and mutual respect. The Lao PDR, in addition to being a least developed country, was also a land-locked country and he called for the understanding of transit countries in this connection. Finally, he expressed the hope that international assistance to the LDCs would be extended without discrimination, without political preconditions, and without interference in their internal affairs.

93. The representative of Nepal observed that while developed countries had experienced steady growth in the 1980s, the LDCs had suffered a period of stagnation. Many factors, such as protectionism, unfavourable commodity prices, and falling investment had contributed to that stagnation, pushing the LDCs towards even greater poverty. At the same time, the basic needs of their growing populations had increased a great deal.

94. He said that, given surging public expenditure, falling international reserves and rising domestic prices, Nepal had been obliged to adopt a structural adjustment programme with the support of IMF and the World Bank, containing measures to liberalize trade and industry in the medium term, to reform the financial sector, to improve the efficiency of public expenditure, to promote exports and foreign exchange earnings and to enhance the role of the private sector. As a result, GDP had increased by 6 per cent in 1989.

95. The vulnerable economies of the LDCs must not repeat the experience of the 1980s, and the next plan of action must include such essential elements as the commitment of a substantial increase in official development assistance, in particular for land-locked countries.

96. The representative of Equatorial Guinea recognized the significant effort made by the international community in favour of LDCs. Some countries, such as Canada and China, had demonstrated their goodwill towards his country. However, the number of LDCs had increased in recent years: whereas they had numbered 24 in 1971, there were now as many as 42. Despite the adoption of structural measures proposed by international institutions, the real situation of his country had certainly deteriorated. Real incomes were decreasing, thus provoking economic and social distortions, particularly in relation to health and training. Although macro-economic variables had in general remained steady from 1985 to 1988, external influences such as export prices and the flow of external capital had provoked serious problems. Cocoa prices had decreased substantially and, in consequence, incomes from cocoa had been reduced by 50 per cent. A balance-of-payments deficit had resulted from a 164 per cent increase in imports in relation to an 86 per cent fall in exports from 1985 to 1989. Moreover, international debt-service payments had absorbed 40 per cent of export earnings. This budget deficit was one of the most important problems in his country.

97. The representative of the United Nations Centre for Science and Technology for Development (UNCSTD) described the functions and activities of his organization since its establishment in 1980. As envisaged by the Vienna Programme of Action, the Centre had given due importance to the implementation

of special measures in the field of science and technology in favour of LDCs. However, there was a need to build up the endogenous scientific and technological capacities of LDCs in order to overcome some of the pressing obstacles to their development, such as weak economic, institutional and human capacities. Promotion by the Centre of endogenous capacity building in the LDCs aimed at involving all segments of society concerned with the development process - including the scientific community and engineers, entrepreneurs, industrialists, producers, consumers and the public at large, all of whom were partners in development - in the effort to help member States to identify priority activities in science and technology. UNCSTD had already undertaken a number of pilot projects in five LDCs regarding their future capacity-building needs and priorities. The lessons drawn from these projects would be useful in making this work operational in the 1990s.

98. Finally, he said that scientific research, in the sense of self-reliant creative activity, far from being a luxury, was a pressing need of the LDCs. He stressed the need to strengthen the capacity of these countries to assess and forecast scientific and technological developments taking place elsewhere, and to adopt related economic policy measures.

99. The representative of the Food and Agriculture Organization of the United Nations (FAO) said that the agricultural sector was vital to the development of the LDCs, since it accounted for nearly half of their total gross domestic product. It was for this reason that the SNPA had assigned the highest priority to agriculture. The LDCs had a 50 per cent share in the field programme of the Organization. FAO's Special Action Programmes in areas such as food security, seed improvement, prevention of post-harvest losses, fertilizers and locust control, covered areas of particular concern and interest to the LDCs. He also drew attention to the policy advisory role of FAO in the field of its competence.

100. Turning to the food sector in the LDCs, he said that food production had failed on the whole to keep pace with population growth. The annual agricultural production growth rate for the LDCs as a whole was half of the SNPA target of 4 per cent. Thus, the volume of food imports had increased by over 3 per cent annually, while the value of agricultural exports had fallen. Urgently needed investments in agriculture had been adversely affected by the LDCs' heavy debt burden, whose servicing alone absorbed nearly one third of their exports. There was thus a need to adopt a flexible framework based on debt relief, and to stabilize export earnings and guaranteed levels of

external assistance geared more to sectoral or general budgetary support. Within this framework, structural adjustment programmes should allow a longer time-frame for the process of economic adjustments in order to avoid undesirable social side effects and to ensure the full integration of agricultural, rural and environmental considerations and objectives. Policy reforms and technical changes should go hand in hand. New technologies would have to be backed by improved extension services, input delivery and agricultural credit mechanism, plus adequate price and other producer incentives. Fisheries and forestry should receive priority in domestic policy and should be supported through external assistance. Furthermore, environmental protection should be at the centre of the national and international agenda.

101. The representative of the United Nations Capital Development Fund (UNCDF) recalled that the Fund was the investment arm of UNDP, specialized in setting up small-scale investment projects in the LDCs and notably investment in projects where large-scale investments, for one reason or another, were not appropriate. While implementing participatory mechanisms or multidisciplinary interventions for the environment, the Fund was fully in line with the main themes for project aid in the 1990s. In the course of the 1980s, the activities of UNCDF had been highly appreciated by the LDCs. For 1989, however, it was estimated that expenditure for the programmes had been higher than contributions, which meant that, in the future, either the resources would have to be increased or the programmes to be cut. It was in this context that the Governing Council of UNDP, at its last session, had urged the Paris Conference to make appropriate recommendations about an increase in the resources of UNCDF.

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Agenda item 8

# DRAFT REPORT OF THE INTERGOVERNMENTAL GROUP ON THE LEAST DEVELOPED COUNTRIES ON ITS SEVENTH SESSION

Held at the Palais des Nations, Geneva,
from 26 March to 6 April 1990

Rapporteur: Mr. Vladimir Pankov (Union of Soviet Socialist Republics)

Addendum

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102. The representative of the International Monetary Fund (IMF), emphasizing the positive aspects of the 1980s, pointed out that there was now a better appreciation of the need for policy reform; of the interdependence of policies and developments in the developing and industrialized countries; and of the links between economic, social and political developments. Countries were more willing, and the international system better prepared, to enter into partnership to achieve sustainable development and to share the responsibility for its attainment. He believed that the new programme of action for the LDCs should underline not only the primary responsibility of the LDCs to elaborate and implement their development strategies, but also the primary role of credible and comprehensive domestic policies in achieving the goals of these strategies. In his view, such policies would need to provide appropriate economic incentives, address economic, financial and related social issues, and assure the people of a stable economic policy environment in which they could take their individual decisions regarding consumption, savings, and investment.

103. He stated that IMF stood ready to help the LDCs in the formulation and implementation of policies to promote adjustment with growth and equity, and to mobilize appropriate external assistance, including the use of its own resources. LDCs could also benefit from the different facilities made available by IMF. In support of programmes under these facilities, the Fund endeavoured to mobilize the necessary external assistance, including debt relief. Finally, he developed his view on the philosophical under-pinning of the programme of action for the 1990s for the LDCs. In his view, the main raison d'être for the new programme of action should be a commitment on the part of both the LDCs and the donor community "to do more and better".

104. The representative of the United Nations Development Programme (UNDP) stated that his organization was providing finance, from the Special Measures Fund for the LDCs, for a significant part of the preparation of the Paris Conference, which included the participation of LDC delegates in preparatory meetings and in the Conference itself, and assistance in preparation of the country presentations. On the substantive side, a number of proposals concerning UNDP's co-operation with the LDCs in the 1980s had already been presented in 1989. The proposals included a substantial increase in the country Indicative Planning Figure (IPF) in the fifth cycle (1992-1996); a strengthened role of the United Nations Capital Development Fund; expansion of

resources from the Special Measures Fund for the LDCs; strengthening the aid co-ordination process in LDCs, in particular through more frequent Round Table meetings; and mainstreaming the activities of the National Technical Co-operation Assessment and Programmes (NaTCAPs). UNDP was in the process of launching a new report, the Human Development Report, which it hoped would be used in the process of follow-up and monitoring. For the current session of the Intergovernmental Group, UNDP had prepared another document on technical co-operation in the LDCs, based largely on the first results of NaTCAPs.

105. The representative of Bolivia stated that the Intergovernmental Group was taking place at a time when the relaxation in East-West tension promised a new era of peace, stability and development in the world, and when at the same time the performance of the world economy was unbalanced. In the 1980s, the international economy had functioned to the detriment of the LDCs, contrary to their requirements and expectations. In the past 10 years, the number of LDCs had increased. Their economies were characterized by marginal growth, stagnation, acute balance-of-payments problems, contraction of trade and increased external debt. Internal handicaps such as a low level of domestic savings, lack of skilled manpower, poor infrastructure, low productivity and small domestic markets had added to their problems.

106. In the absence of a favourable international economic environment and in the absence of sufficient international support, he was of the view that the efforts of the LDCs towards development and sustained growth would continue to be in vain. The development efforts of the LDCs should include improvements in the socio-economic infrastructure. His delegation reiterated its support for the request made to the donor countries for doubling their aid to the LDCs. Another important measure in favour of LDCs was the creation of a more substantive framework for the successful negotiation of their debt, the stabilization of commodity prices, and market access. As to follow-up actions, he believed that UNCTAD should be the focal point in that regard. Finally, he pointed out that Bolivia, as a developing land-locked country, shared many of the problems and concerns of the LDCs and supported their positions.

107. The representative of Haiti said that the economic and social situation in her country, the only LDC in Latin America, was very precarious, with 80 per cent of the population living below the poverty level. This was because of low levels of savings, deficiencies in the means of production, in infrastructures and in services, environmental problems (in particular

deforestation), inadequacy of administrative structures, and the smallness of the State's resources. In order to help Haiti to solve these grave problems in the 1990s, the resources necessary would amount to $US 10 billion for the decade for the public sector alone, as compared with estimated national resources of $US 1 billion. But while Haiti urgently needed external resources of that magnitude, external assistance had in fact been decreasing, having amounted to about $US 200 million per annum for the last five years, compared to $US 300 million per annum during the first half of the 1980s.

108. She wished to highlight three points: firstly, it was necessary to define adjustment programmes which might not necessarily guarantee the short-term attainment of the equilibrium objectives, if that was required to reach the development objectives. Secondly, the granting of aid to LDCs should take into account economic performances rather than political stability. One of the most efficient means of suppressing political instability was the massive creation of remunerative and permanent employment, and the programmes designed for Haiti for the current decade had been conceived with that aim. Thirdly, it was necessary to increase the external resources in support of the national programmes. In this connection, she noted that the level of external resources was too often linked to a counterpart level generally not available in the LDCs. It would be appropriate, in certain cases, to forsake that counterpart financing completely, or in others, to include in the financing agreements a counterpart financing which would rise gradually from a low level to reach an equilibrium that was financially bearable. Nor should the level of the LDCs' debt be allowed to limit the external resources: that was a question which should be analysed on a case-by-case basis.

109. The representative of Burundi stated that the hopes of a rapid development of the LDCs during the 1980s had proved now largely illusory. For his country, there were several causes for this, including: its land-locked situation; a population growth higher than economic growth; the climatic hazards; the dependence on external resources to finance investments; and the problem of commodities. Coffee - the country's main export - was in deep crisis and Burundi now faced a dilemma: whether to subsidize production during low-revenue periods or to abandon a product which provided to the Burundi farmers 60 per cent of their income. He urged the international

community to take the necessary measures to protect commodity producers from speculation by the large multinational corporations, which had a destabilizing effect on their economies.

110. He added that about half of the public debt of his country was contracted with the multilateral financial institutions, and many other LDCs were in the same situation. His Government appealed for the establishment of a system of debt relief aimed at debt refinancing and reduction of interest rates. A possible source of financing could be the resources made available by disarmament. It was also important to safeguard the environment, and he urged the international community to help the LDCs to restore their ecological equilibrium, and the developed countries to abstain from activities which could harm the environment.

111. An efficient co-ordination and a regular monitoring of the country's development were also priorities of the Burundi Government. The Third Round-Table Meeting had taken place in April 1989, and in 1990 sectoral round-tables would be held. This approach would continue as an integral part of the management of his country's economy. A broad structural adjustment programme had been launched after having been extensively explained to the population. He appealed to the international community to support that programme. Equally fundamental, his Government had also embarked on a vast programme of political reforms.

112. The representative of Niger stated that the 1980s had been, for the LDCs, a lost decade, and this was largely due to an unfavourable external environment. In his country, the degradation of the economic situation had caused many important national development projects to be abandoned and replaced by a structural adjustment programme which had had severe consequences: in the cities, under-employment had increased, and the dissolution or privatization of 17 public enterprises or parastatals had led to the suppression of more than 20,000 jobs since 1983; moreover, the rural population was in disarray. His Government had therefore launched support programmes to promote private initiative and employment and to reduce the social costs of adjustment. His country was grateful to the donors who had helped the programme, and he appealed to the international community to increase its support.

113. For the 1990s, the LDCs must intensify the process of structural transformation of their economies and achieve autonomous growth and sustainable development. Accordingly, his Government considered that the

priority objectives for the 1990s to be dealt with by the Conference should be: the continuous improvement of the condition of the poorest; the protection and development of the productive base in agriculture, forestry and animal husbandry; the establishment of an efficient policy of decentralization/deconcentration; the integration of women and youth in the development process; the difficult problem of the LDCs' debt; and the development of human resources. Finally, his Government hoped that the resources of the United Nations Capital Development Fund would be increased and that the Conference could pay attention to this question.

114. The representative of Sierra Leone, referring to his country's economic problems and development perspectives, said that the gravity of the problems stemmed from growing internal and external financial imbalances, mounting unemployment, rural-urban migration, and sharp decline in the quality of social services. Some of the contributing factors included: the poor communications which led to major bottlenecks in the productive sector, especially agriculture; a narrow export base; heavy deficit financing; and rapid deterioration in the environment. In order to arrest and reverse the decline of economic conditions and of living standards, Sierra Leone had embarked on a comprehensive economic recovery programme which had four major objectives, namely: to stabilize the economy and correct the structural weaknesses; to rehabilitate the physical and social infrastructures; to create the basis for self-sustained growth and development; and to mobilize both domestic and foreign resources. Economic stabilization was being pursued through a package of measures designed to achieve a reliable balance of payments, price stability and budgetary balance. As for public investment, priority was to be given to agriculture and rural development, especially food production, as well as rehabilitation of the physical and social infrastructures. He also said that the economic recovery programme could not succeed without substantial foreign assistance, the more so since the economic difficulties of the past had considerably diminished Sierra Leone's capacity to generate domestic savings for investment.

115. The representative of Sudan stated that his country hoped to see a consensus emerge from the Intergovernmental Group on the future development of LDCs, as well as the adoption by the Conference of a programme of action for the 1990s on international economic co-operation aimed at helping the LDCs to overcome their development crisis. His country was doing its utmost to overcome the crisis. He cited in particular the efforts being made to achieve

adequate economies of scale through a policy of structural adjustment, development of natural resources, and rationalization of production. However, all these efforts, as with all LDCs, would not produce the expected results if a programme of adequate support was not put into effect by the international community. The experience of the LDCs in the 1980s and the failure of the international community to fulfil its commitments under the SNPA should incite the international community to approach the Paris Conference with more determination and a common strategy that could lead to the adoption of a new programme with real possibilities for implementation and in which the responsibilities of both the national authorities and the international community were clearly defined. There was an imperative necessity to promote a consensus on a more fundamental approach to the problem of debt of the LDCs. Sudan was of the view that debt cancellation and other debt alleviation measures would be of vital importance to LDCs.

116. This being said, Sudan expected that the Intergovernmental Group would, in its final report, take into consideration the special situation of LDCs described in the different country presentations. Economic theories that were applied with great success in the developed countries were not necessarily the right approach to the special situation of LDCs. Problems related to free enterprise in the classical economic theory - as well as to investment, export and devaluation of currency - had different consequences in the LDCs and must be tackled with the utmost care. These were problems whose solutions could not be generalized and each country must find the most suitable solutions for its particular situation.

117. The representative of Belgium stated that his delegation supported the French proposals (A/CONF.147/PC/7 and Corr.1) with regard to mobilizing actions on four major themes: population questions, territorial development policy (both rural and urban), the promotion of a productive private sector, and environmental protection. There was a need to promote active involvement of women in the development process and, more generally, to listen to the aspirations of the whole population. The development of the agricultural sector would continue to remain a priority during the 1990s, requiring the promotion of local projects, small projects with the assistance of local NGOs and the development of rural credit.

118. His country also supported regional co-operation among LDCs, and attached importance to the setting-up of regional banks. The promotion of private investment and the privatization of public enterprises were no panaceas, and

external financial and technical support were necessary to offset the negative social effects of some rationalization measures and the closing down of enterprises undertaken in the framework of structural adjustment programmes. Small-scale enterprises also needed much assistance, for project identification, management and finance.

119. He stated that the Belgian Government supported the objective of 0.15 per cent of GNP for ODA. The issue of the absorptive capacity was not decisive and could be remedied by adequate measures. It was also necessary to improve the quality of assistance, especially through reinforcing co-ordination between donors and LDCs. He added that the debt problem was having an anti-development effect. With regard to the debt relief proposals formulated at Toronto, his Government had selected option B, and for the most indebted countries of sub-Saharan Africa, payments had been cancelled for State-to-State loans disbursed until 1 July 1988. In addition, Belgium had begun to allow indebted LDCs to reimburse some of their debts in local currency. These funds were used to finance socio-economic development projects that were highly labour-intensive and only slightly - or not at all - inflationary. The Belgian Administration for Development Co-operation transferred the corresponding value in Belgian francs of the amount in local currency and reimbursed the Belgian creditor for an equivalent sum.

120. The representative of the World Bank pointed out that for a large number of developing countries, among them the least developed countries, the 1980s had been a decade of decline. The World Bank category most closely comparable to that of the least developed countries was that of "IDA only" countries: very few of the LDCs were not included in the "IDA only" list. He welcomed the proposals voiced in the Preparatory Committee that the list of LDCs should be revised and he believed that categorical differences would be reduced or even eliminated. On conditionality and structural adjustment, he said that their ultimate purpose was sustainable growth, the benefits of which should be adequately distributed.

121. He stated that the Bank's co-ordination with UNDP, notably in Round Tables and consultative groups, was working very well, and the progress in aid co-ordination had been one of the important features of the 1980s, although there was room for further improvement. He cautioned that proposals for improvement should guard against trying to impose an excessively rigid framework, which would be ill-adapted to the variety of the LDC economies and to the diverse relationships they had with groups of development partners.

122. In his view, although debt was a burden on LDCs, for most of them it was not the key problem, since the inflow of resources from abroad continued to be highly positive. Debt was owed to multinational institutions, including the World Bank Group, but only in a few cases did the servicing of the debts to IBRD represent a large share. Nevertheless, the World Bank was attempting to alleviate the debt burden further and more directly, and the Bank welcomed every opportunity to explore ideas on how to alleviate the burden of debt owed to multilateral institutions.

123. The representative of Bulgaria felt that the UNCTAD secretariat note (A/CONF.147/PC/5) could serve as a good basis for achieving a positive outcome. Trade between his country and LDCs accounted for approximately 4 per cent of its trade with the developing countries, despite the duty-free access to the Bulgarian market granted to 29 LDCs. Currently, his country was considering the possibility of increasing the number of the LDCs enjoying the same benefits under its GSP scheme. In view of its own intermediate level of economic development, Bulgaria had limited resources for economic assistance. His country had provided different kinds of economic assistance in the 1980s to a number of LDCs. However, this did not mean a change in Bulgaria's position on the quantitative aid targets. Today, Bulgaria was undergoing fundamental changes aimed at achieving a pluralistic democracy and a market-oriented economy. Radical economic reform measures for economic stabilization and structural adjustment in his country would no doubt affect Bulgarian relations with the LDCs, especially in the short term. Nevertheless, this did not mean a change in his country's position, in principle, of supporting the LDCs within its possibilities.

124. The representative of Ethiopia stated that, a decade after the adoption of the SNPA, the least developed countries continued to experience socio-economic deterioration. Despite adjustment programmes, this situation continued: domestic policy alone was not sufficient because it was apt to founder on an unfavourable external economic environment (protectionism, external debt and the instability of commodities prices).

125. Ethiopia had undertaken far-reaching institutional, social and economic changes since mid-1974. The land reform Act of 1975 had guaranteed access to land to the masses. Notable progress had also been made in health care, expanding physical infrastructure, safe drinking water, and expansion of education. In this regard, the literacy compaigns that had been conducted so far, raising the literacy rate for 7 per cent in 1974 to 71 per cent in 1989,

represented a notable achievement. However, the lack of money and capital markets, and the bad state of the transport network, were creating obstacles to development. Agricultural production had become increasingly unstable during the second half of the 1980s and environmental degradation had occurred. Since 1988, Ethiopia had been involved in a process of reform, which implied the use of the market mechanism by liberalizing markets and prices of agricultural produce, by encouraging private investments and by including competitiveness in public enterprises. It was also attempting to increase foreign capital inflows through direct investment and joint ventures. In this process, Ethiopia aimed to use all forms of enterprise - private, co-operative and public - to push investment rates to a point where growth could become self-sustaining. The essential strategy for the structural transformation lay in the direction of raising agricultural productivity, greater links between agriculture and industry and the promotion of a number of "leading sectors" chosen on the basis of long-term dynamic comparative advantage in external markets. The structural transformation programme would be accompanied by a programme of economic stabilization. Finally, he said that Ethiopia had good reasons to enter the 1990s in the hope of accelerated growth, but it would need the sustained material and financial assistance of the international community to realize its significant development potential.

126. The representative of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) drew attention to the economic plight of the LDCs members of ESCAP. Although the recovery process in the world economy had now lasted for over seven years, the least developed countries, including those in the ESCAP region, had yet to resume growth, despite having undertaken severe adjustment programmes. Most of the region's LDCs had failed by a significant margin to achieve the 7.2 per cent growth envisaged for the 1980s under the SNPA. As regards the 1990s, the LDCs found themselves ill prepared to face the emerging challenges and uncertainties. Although they bore the full responsibility for their development, the support of the international community would be vital in setting them back on the track of sustainable development. The ESCAP secretariat for its part would continue to give increasing attention and priority to the problems of the least developed countries. It would, along with other regional commissions, also be prepared to undertake any additional tasks of monitoring or follow-up of the new plan of action at the regional level.

127. The representative of the World Food Programme (WFP) stressed that the 1980s had been characterized by frequent serious food shortages in many LDCs and, as a result, there had been a dramatic increase in food aid flows to LDCs. The LDC share of WFP non-emergency food aid had been 40 per cent in 1989, and of WFP emergency food assistance, 47 per cent. He pointed out that food aid is a valuable resource for development. It had been used effectively in support of structural adjustment programmes, employment generation through food-for-work activities, reforestation and environment projects, and - innovatively - to support income-generating activities for women. The important role played by food aid in health schemes and feeding programmes for poor and disadvantaged groups was widely recognized, although it could have a negative effect on the development of local food production. He said that several innovative measures, including monetization, commodity exchanges, local purchases and triangular transactions, had been incorporated into WFP's food assistance schemes, to ensure that positive effects of food aid were maximized and any possible negative effects minimized. He also pointed out that many WFP-supported development activities such as reforestation and watershed management, the construction of dykes and drainage canals in low-lying areas subject to flooding, and the establishment of village-level grain reserves, were elements of disaster reduction. Finally, he expressed the hope that the important role of food aid in the development of the LDCs would be fully recognized in the programme of action for the 1990s for the LDCs.

128. The representative of Kiribati said that the problems that the LDCs were facing were different from country to country, and therefore the solutions for each country needed to be distinct. His country was an island LDC and, although it shared many features common to all LDCs, it had its own problems. For example, the emphasis placed by many participants on the role of agriculture as an engine of growth and development was of little relevance to his country if it did not complement the development of the marine industry.

129. He stated that the technical assistance given to his country by bilateral sources and multilateral institutions had been of utmost importance. Such assistance needed to be intensified: it should not only take the form of research, but should also be extended to include the exploitation of marine resources as well.

130. He said that the private sector in his country, owing to the lack of skilled manpower, had not developed. Efforts therefore needed to be oriented towards the creation of expertise and the development of manpower in the private sector before further steps were taken towards privatization. In this regard, he favoured the establishment of joint ventures with the participation of other countries.

131. Finally, he urged the development partners to consider the implications of the "greenhouse effect", particularly on the low-lying island countries, and he suggested that the new programme of action should address this problem.

132. The representative of the United Nations Industrial Development Organization (UNIDO) stated that, viewed in the light of the experience of the 1980s, the next decade would be one of survival, rather than development, of the industries of the LDCs. In these countries, the manufacturing sector was limited and could in no way be taken as an engine of development for the economy, although it had an important role to play in providing consumer goods and machinery for the agriculture sector. In his view, one of the objectives of the 1990s must therefore be the prevention of a further decline of the manufacturing sector and, indeed, the achievement of a positive growth rate in manufactured value added. If this minimum was not attained, a period of "disindustrialization" would follow. Industrialization in the 1990s would need to be planned within the framework of global development, in which population and agriculture were the main elements.

133. Within the framework of its terms of reference, UNIDO would continue to give priority to co-operation with the LDCs (the total expenditure of its technical assistance projects during the 1980s lay between $US 14 and 20 million annually). He noted that many LDCs had been implementing structural adjustment programmes to upgrade and modernize their decaying industrial sector. UNIDO supported these reforms, as well as those aiming at giving a more important role to the private sector. UNIDO was now working on a comprehensive industrial action plan for the LDCs for the 1990s, which would be presented to the Fourth General Conference of UNIDO, to be held in November 1991.

134. The representative of the United Nations Fund for Population Activities (UNFPA) recalled that the SNPA gave considerable attention to population problems and their relation to the development of the LDCs. Population was treated both as a cause of the problems faced by LDCs and as an area where direct action could effectively contribute to achieving development goals.

He noted that progress had been made since 1981 in many LDCs where population problems had not generally been perceived as being a likely cause of their economic problems. Thus, in the past few years, there had been a global recognition by many LDCs that the lack of a population policy could drastically constrain their economic growth, and the number of countries which had assessed their population as too high compared to the rate of their economic growth had more than doubled during the period 1981-1989.

135. It was against this background that assistance provided to LDCs by UNFPA had doubled during the 1980s. It had supported and executed, in collaboration with various agencies and institutions, more than 700 projects with a total expenditure of over $US 165 million. In the 1990s, the Fund would pursue its goal of encouraging the formulation of explicit population policies, thereby creating a favourable climate for balanced economic and social development. The Fund was confident that more Governments would perceive the necessity to formulate population policies and open the way to the introduction of acceptable measures needed to ensure that population growth was brought into balance with economic development.

136. The representative of the World Health Organization (WHO) observed that growth and development began and ended with people, who must be healthy, well-nourished, educated and sheltered. During the 1980s, there had been a decrease in the supply of, and an increase in the demand for, health services in the LDCs, and to close this gap would require considerable investment in health during the 1990s, when the challenge would be to implement policies and measures adopted by Governments in Alma-Ata in 1978.

137. Effective implementation of primary health care required partnership among LDCs, WHO and members of the international community. An environment should be created that promoted effective and efficient health care, including incentives and building up of physical infrastructure. Donor Governments had to recognize that LDCs would require additional external financial support on a long-term basis and that fundamental changes in aid modalities for the health sector were required. Multilateral and bilateral partners must work within a common framework based on the national health plan, the objective being to mobilize appropriate national and external resources to ensure that priority programmes were financed. WHO had launched a new initiative concentrating its efforts on countries and peoples most in need, which would analyse, inter alia, nutrition and the relationship between environment, health and sustainable development.

138. The representative of the United Nations Educational, Scientific and Cultural Organization (UNESCO) stated that the continuous deterioration of the situation in poor countries, and especially in the LDCs, had convinced the Director-General of UNESCO that development was a priority concern. A special unit had already been set up to deal with specific questions concerning LDCs. This did not mean that UNESCO was abandoning its efforts in its traditional fields of competence. Its newly approved Medium-term Plan proved quite the contrary. Development implied, on the one hand, efforts on the part of poor countries to free themselves from their state of underdevelopment and, on the other, international solidarity. In their own interest, developed countries of the North must realize that extreme poverty in the South was a time-bomb which had to be defused. The assaults on the environment in the poverty-stricken countries of the South constituted but one example of the dangers threatening the whole planet. The financial efforts required of developed countries - viewed as a percentage of their GNPs, and especially at a time when disarmament seemed to be gaining momentum - was small compared to the peace and security which were at stake, not to mention the economic premium that would result from the emergence of new and financially sound trading partners. The basic question was, therefore, whether or not the North had a vital interest in assisting the South in its development efforts. If the answer to this question was yes, then the international community must draw clear consequences and take appropriate measures. International public opinion must be alerted to the scale of the problem so that political obstacles might be overcome, and political leaders allowed to take such measures.

139. The financial assistance from the North must, of course, be accompanied by corresponding efforts on the part of the beneficiary countries themselves, but whatever was demanded of the LDCs must respect their cultural identities. Genuine democracy was an essential component of this development process - a process with which the NGOs and the general public must be fully associated. Finally, the special assistance devoted to the LDCs must not lead to a reduced effort in favour of other groups of developing countries.

140. The Deputy Secretary-General of UNCTAD expressed his satisfaction at the many statements made on item 3 and the praise which the secretariat documents had received. Responding to the statement by the representative of the United States of America, he felt that that statement contained two points based on a misunderstanding of the note by the secretariat (A/CONF.147/PC/5):

the secretariat had not suggested cancellation of LDC debts to the international finance institutions; nor had the secretariat proposed commodity schemes which would isolate the LDCs from market realities.

141. He noted the points of convergence which he considered had developed during the debate: the shared will to attack the LDCs' development problems; recognition of the shared responsiblity of the LDCs and the international community in the development of the LDCs, it being accepted that the primary responsiblity lay with the LDCs themselves; the necessity to adapt even sound macro-economic and sectoral policies to the specific problems of the LDCs; the need to increase significantly - both in quantity and quality - resource flows to the LDCs, and to reduce the debt burden; the priority to be given to mobilizing human resources for development; and the need for effective follow-up and monitoring mechanisms at the country, regional and international levels. He was therefore optimistic that a realistic and concrete programme of action for the 1990s could be drawn up at the current meeting and agreed upon at the Paris Conference.

## Chapter II

## PROVISIONAL AGENDA FOR THE SECOND UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES

(Agenda item 4)

## PROVISIONAL RULES OF PROCEDURE FOR THE CONFERENCE

(Agenda item 5)

## ORGANIZATION OF WORK OF THE CONFERENCE

(Agenda item 6)

### A. Provisional agenda for the Second United Nations Conference on the Least Developed Countries (agenda item 4)

142. For its consideration of agenda item 4, the Intergovernmental Group had before it the following document prepared by the UNCTAD secretariat on the basis of the mandate given in paragraph 1 of General Assembly resolution 42/177:

"Draft provisional agenda for the Conference (A/CONF.147/PC/L.1-TD/B/AC.17/L.28).

[To be completed as appropriate]

### B. Provisional rules of procedure for the Conference (agenda item 5)

143. For its consideration of agenda item 5, the Intergovernmental Group had before it the following document:

"Draft provisional rules of procedure for the Conference (A/CONF.147/PC/4-TD/B/AC.17/32).

[To be completed as appropriate]

### C. Organization of work of the Conference (agenda item 6)

[To be completed as appropriate]

## Chapter III

## ORGANIZATIONAL MATTERS

### (a) Opening of the session

(i) The seventh session of the Intergovernmental Group on the Least Developed Countries, designated by the General Assembly as the Preparatory Committee for the Second United Nations Conference on the Least Developed Countries, was opened on 26 March 1990 by the Secretary-General of UNCTAD.

### (b) Election of officers

(Agenda item 1)

(ii) At its 1st plenary meeting, on 26 March 1990, the Intergovernmental Group elected its Bureau as follows:

| | | |
|---|---|---|
| Chairman: | Mr. J.A. Sankey | (United Kingdom of Great Britain and Northern Ireland) |
| Vice-Chairmen: | Mr. G. Bailey | (Canada) |
| | Mr. G. de Acha Prado | (Bolivia) |
| | Mr. A. M. Elhassan | (Sudan) |
| | Mr. Y. Geghman | (Yemen) |
| | Mr. Li Zhimin | (China) |
| Rapporteur: | Mr. V. Pankov | (Union of Soviet Socialist Republics) |

(iii) The Intergovernmental Group also decided to designate the Chairmen of the Working Groups (cf. section (c) below) from among the Vice-Chairmen of the Intergovernmental Group. Accordingly, the Chairmen of the Working Groups were as follows:

| | | |
|---|---|---|
| Working Group I: | Mr. G. Bailey | (Canada) |
| Working Group II: | Mr. A.M. Elhassan | (Sudan) |

### (c) Adoption of the agenda and organization of work

(Agenda item 2)

(iv) At its 1st plenary meeting, the Intergovernmental Group adopted the provisional agenda for its seventh session drawn up by the UNCTAD secretariat on the basis of the terms of reference given to the Intergovernmental Group by General Assembly resolution 42/177. Accordingly, the agenda for the seventh session of the Group read as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Substantive preparation for the Conference

4. Provisional agenda for the Second United Nations Conference on the Least Developed Countries

5. Provisional rules of procedure for the Conference

6. Organization of work of the Conference

7. Other business

8. Adoption of the report of the Intergovernmental Group

(v) At the same meeting, the Intergovernmental Group, noting the suggestions for the organization of its work in A/CONF.147/PC/CRP.1, decided to establish two working groups to consider the following issues of relevance to agenda item 3:

Working Group I

Basic principles;

The global framework;

Arrangements for follow-up, monitoring and review.

Working Group II

Mobilizing human capacities in least developed countries;

Modernization and integration of the productive base;

Special problems of land-locked and island least developed countries.

(vi) In connection with the allocation of issues to the two Working Groups, the Chairman stated that these broad headings were the same as those in part two of the secretariat note entitled "Elements for a Programme of Action for the 1990s for the Least Developed Countries" (A/CONF.147/PC/5), which the Working Groups might wish to use as a basis for their work. Although these headings covered the issues in the secretariat note, they should be interpreted flexibly and any delegation was free to raise any other relevant issues it wished under these broad headings. Other inputs, in particular the Dhaka Declaration, should, of course, be taken into account in the Working Groups.

(vii) He added that, as proposed in paragraph 4 of A/CONF.147/PC/CRP.1, he would endeavour to prepare a draft on the review part of agenda item 3 on the basis of general statements made in plenary. Each of the Working Groups would prepare a draft on the issues allocated to it. On the basis of all these texts, he would present a complete text on item 3 for final consideration by the plenary.

(viii) Finally, he recalled that it was also proposed that agenda items 4, 5 and 6 would be examined by the extended Bureau (i.e. the Bureau and the regional co-ordinators) before consideration by the plenary.

(ix) The Intergovernmental Group agreed to organize its work in accordance with the suggestions set forth in A/CONF.147/PC/CRP.1 and in the light of the statement made by the Chairman.

(d) Attendance

(x) The following States members of UNCTAD were represented at the session: Afghanistan; Algeria; Argentina; Australia; Austria; Bahrain; Bangladesh; Belgium; Benin; Bhutan; Bolivia; Botswana; Brazil; Bulgaria; Burkina Faso; Burundi; Cambodia; Canada; Cape Verde; Central African Republic; Chad; Chile; China; Comoros; Cuba; Czechoslovakia; Democratic Yemen; Denmark; Djibouti; Ecuador; Equatorial Guinea; Ethiopia; Finland; France; Gambia; German Democratic Republic; Germany, Federal Republic of; Ghana; Greece; Guinea; Guinea-Bissau; Haiti; Holy See; India; Indonesia; Iran (Islamic Republic of); Iraq; Ireland; Israel; Italy; Jamaica; Japan; Kenya; Kiribati; Kuwait; Lao People's Democratic Republic; Lebanon; Lesotho; Libyan Arab Jamahiriya; Madagascar; Malawi; Maldives; Mali; Mauritania; Mexico; Morocco; Mozambique; Myanmar; Nepal; Netherlands; Niger; Nigeria; Norway; Pakistan; Philippines; Portugal; Republic of Korea; Rwanda; Samoa; Sao Tome and Principe; Saudi Arabia; Senegal; Sierra Leone; Singapore; Somalia; Spain; Sri Lanka; Sudan; Sweden; Switzerland; Thailand; Togo; Turkey; Tuvalu; Uganda; Ukrainian Soviet Socialist Republic; Union of Soviet Socialist Republics; United Kingdom of Great Britain and Northern Ireland; United Republic of Tanzania; United States of America; Vanuatu; Venezuela; Yemen; Yugoslavia.

(xi) The following other States members of UNCTAD participated in the session as observers: Hungary; Poland.

(xii) Palestine participated in the session pursuant to General Assembly resolution 3237 (XXIX).

(xiii) The Office of the Director-General for Development and International Economic Co-operation; Department of International Economic and Social Affairs; Department of Technical Co-operation for Development; United Nations Centre for Science and Technology for Development; Economic and Social Commission for Asia and the Pacific; Economic Commission for Africa; Economic and Social Commission for Western Asia; United Nations Environment Programme; United Nations Centre for Human Settlements; United Nations Children's Fund; United Nations Development Programme; [United Nations Sudano-Sahelian Office]; United Nations Capital Development Fund; United Nations Volunteers; World Food

Programme; Office of the United Nations High Commissioner for Refugees; United Nations Fund for Population Activities were represented at the session. The International Trade Centre UNCTAD-GATT was also represented.

(xiv) The following specialized and related agencies were represented at the session: International Labour Organisation; Food and Agriculture Organization of the United Nations; United Nations Educational, Scientific and Cultural Organization; World Health Organization; World Bank; International Monetary Fund; Universal Postal Union; International Telecommunication Union; World Meteorological Organization; World Intellectual Property Organization; International Fund for Agricultural Development; United Nations Industrial Development Organization. The General Agreement on Tariffs and Trade was also represented.

(xv) The following intergovernmental organizations were represented at the session: African Development Bank; African, Caribbean and Pacific Group of States; Asian Development Bank; */ Commonwealth Secretariat; European Economic Community; International Center for Public Enterprises in Developing Countries; International Organization for Migration; League of Arab States; Organisation for Economic Co-operation and Development; Organization of African Unity.

(xvi) The following non-governmental organizations were represented at the session: General Category: Afro-Asian People's Solidarity Organization; Friends World Committee for Consultation (Quakers); International Alliance of Women; International Association of Agricutural Economists; International Chamber of Commerce; International Confederation of Free Trade Unions; International Council of Women; Society for International Development; Women's International League for Peace and Freedom; World Assembly of Small and Medium

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*/ Specially invited by the secretariat.

Enterprises; World Association of Former United Nations Interns and Fellows, Inc. Special Category: International Air Transport Association; International Association of Islamic Banks; International Organization of Consumer Unions.

(e) Adoption of the report of the Intergovernmental Group

(Agenda item 8)

[To be completed]

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Seventh session
(Preparatory Committee for the Second
United Nations Conference on the
Least Developed Countries)
Geneva, 26 March 1990
Agenda item 4

# PROVISIONAL AGENDA FOR THE SECOND UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES

## Draft provisional agenda submitted by the Chairman

1. Opening of the Conference

2. Election of the President

3. Adoption of the rules of procedure

4. Adoption of the agenda and organization of work

5. Establishment of sessional bodies

6. Election of officers other than the President

7. Credentials of representatives participating in the Conference:

   (a) Appointment of the members of the Credentials Committee;
   (b) Report of the Credentials Committee

8. Review of progress at the country level thus far in the decade

GE.90-55427

9. Review of progress in international support measures and particularly in official development assistance

10. National and international policies and measures for accelerating the development process in the least developed countries during the 1990s in accordance with their long-term national, social and economic objectives, and finalization and adoption of a programme of action for the least developed countries for the 1990s

11. Other business

12. Adoption of the report of the Conference.

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Geneva, 26 March 1990
Agenda item 3

SUBSTANTIVE PREPARATION FOR THE CONFERENCE

Assessment of the socio-economic situation in the 1980s

Text submitted by the Chairman

1. In 1981, a Substantial New Programme of Action for the 1980s for the least developed countries (SNPA) was adopted in Paris by the first United Nations Conference on the LDCs. Its aim was to transform the economies of these countries towards self-sustained development and enable them to provide at least minimum standards of nutrition, health, housing and education as well as job opportunities to their citizens, and particularly to the rural and urban poor. However, despite national and international efforts on behalf of these countries the social and economic situation of the LDCs as a whole worsened during the 1980s.

2. The SNPA had set an annual GDP growth target of 7.2 per cent for the LDCs: the actual average rate has been 2.2 per cent with negative growth rates in some. The SNPA had set an annual growth target of 4 per cent for agricultural production: the actual rate has been 2 per cent. The SNPA had called for manufacturing output in the LDCs to grow at an annual rate of at least 9 per cent: the actual rate has been 2 per cent, less than half of the growth rate reached during the 1970s. The SNPA had called for ODA to LDCs to reach 0.15 per cent of donors' GNP: whilst some donors achieved this target, or doubled their ODA, the average contribution represents 0.09 per cent of their total GNP. At the same time, the marginalisation of the LDC group in the world economy has in fact become more accentuated, with their share in world exports amounting to merely 0.3 per cent in 1988, as compared to 1.4 per cent in 1960.

3. But there have been a few exceptional cases: several LDCs managed to achieve GDP growth rates above the rate of population growth. In a handful, agricultural or manufacturing output rose at relatively rapid rates. In a few, gross domestic savings rates exceeded 10 percent. Nonetheless, apart from the fact that in these cases non-traditional items were their main source of foreign exchange earnings, these LDCs do not present any other major common characteristic, be it continental location, size of the country, geographical situation, environmental strength, or even relative weight of the debt and debt-service burden.

4. In sum, therefore, the 1980s can be considered in general as a period of setbacks. Most LDCs have had to cut back imports and to undergo a process of painful adjustment with austerity. The fall in net investment (to about one quarter of its level at the beginning of the decade) and the deterioration of productive capacity and physical infrastructure have impaired LDCs' ability to resume growth and development and to meet the basic needs of their population. Their serious economic problems have been aggravated, and the modest gains of past economic development, eroded. Particularly worrying was the rapid deterioration in the social conditions in the LDCs, where there had been an increase in the absolute number of illiterates and a rise in the incidence of child malnutrition. On the other hand,there was some improvement in indicators of average life expectancy at birth, infant mortality and immunisation coverage.

5. There was a broad consensus on the factors which contributed to this worsening state of affairs. These included national problems, including the interaction of population growth, poverty and environmental degradation; the problems associated with the design and implementation of structural adjustment problems; natural disasters; and adverse external conditions, such as depressed commodity prices, difficulty of access to markets and lower-than-expected aid flows.

## I. NATIONAL POLICIES AND MEASURES

6. Fundamental to the problems faced by the LDCs in achieving sustained long-term growth and sustainable development in the 1980s were rigidities in their economies, fiscal imbalances, monetary (and in some cases political) instability and pricing policies. The experience gained in implementing development plans to transform the social and productive basis for development confirmed the need to improve macro-economic policies, implementation mechanisms and institutions, and to put in place policy measures which would enable LDCs to adjust better to external shocks.

7. For many of the LDCs only one or two sectors contributed to economic growth, domestic revenue and foreign exchange earnings, so rendering their economies heavily dependent on, and vulnerable to adverse changes in, the international economy. To achieve broad-based growth, LDCs therefore needed to diversify their productive bases, a process which required structural change, and corresponding capital inputs, which were not available domestically, nor in many cases forthcoming from foreign private investment.

A. Structural Adjustment Programmes

8. Many LDCs introduced structural adjustment programmes particularly in the latter part of the decade. These were usually supported by the IMF and/or the World Bank, in order to achieve short-term economic stabilization and to promote long-term development. However, the success rate in the 1980s was mixed. A number of these programmes could not be implemented fully or in a timely fashion, for a number of reasons. These include domestic constraints in early programmes, inadequate attention to the specific developmental characteristics of individual LDCs, and too much emphasis on measures to restore economic and financial stability, with too little on the need to maintain an essential minimum of investment in key areas. More recent structural adjustment programmes, profiting from this experience, are showing more promise, although the benefits of these programmes have yet to be fully realised and evaluated.

9. The expectations of stimulating traditional exports, inter alia through devaluation, have not materialized mainly because of over-supply conditions for the commodities concerned in the world market. Whilst some efforts were made to increase government revenue by reforming the tax system and increasing the efficiency of collection, these objectives were more difficult to accomplish than expenditure cuts, particularly on development investment and social services.

B. Agriculture

10. Agriculture, the most important sector of the economies of the LDCs, played a key role in providing food, employment, raw materials for industry, and export revenues. While some progress was noted, agricultural performance during the 1980s was generally disappointing, since food production lagged behind population growth in many cases. The reasons for this included market, price and land-reform policies, natural disasters (flood, drought, locusts); bottle-necks in transport, seeds and fertilizers; and shortage of credit. External trade restraints, discussed later, were also a serious deterrent to agricultural production and diversification. These factors also affected rural development plans adversely.

C. Human resources

11. In most LDCs, the high rate of population growth was a fundamental problem adversely affecting efforts to alleviate poverty, the efficient allocation of resources, the adequacy of social services, food security and the quality of the natural environment. During the 1980s, limited investment led to cuts in expenditure on health and education which often weighed hardest on the most vulnerable groups, such as children, the aged and the urban and rural poor. The experience of this period also underscored the importance of adequate participation in the decision-making process at all levels, thus respecting the rights of the people and allowing their natural talents to flourish.

D. Role of Women

12. Despite the efforts undertaken by various national and international bodies, women continued to face the following obstacles which prevented them to be full agents and beneficiaries of development such as: cultural attitudes which tended to perpetuate the inferior status of women; the unequal access of women to education, training, employment, earnings and to the means of production; the inadequate participation of women in decision-making; and inadequacies in government policies and structures with regard to the integration of women in development.

E. Environment

13. Sound environmental management in the LDCs during the 1980s also suffered, largely on account of lack of resources devoted to this purpose. In the majority of LDCs, most of the pressing environment problems resulted directly from endemic poverty and population pressure. These have often compelled the poor to adopt unsound farming, grazing and fishing methods, or to settle on ecologically fragile marginal lands. To these may be added a general low level of awareness among the people in LDCs of the issues relating to environment, particularly in rural areas.

F. Natural disasters

14. Natural disasters continued to cause heavy losses of human lives and property with particularly severe and lasting impact on the national economies of the LDCs. Where natural disasters occurred, effort was often concentrated on immediate disaster relief without fully addressing the requirements of long-term development including disaster prevention measures.

G. Institutional and physical infrastructure

15. Eighty percent of the population of the LDCs lives in rural areas. The diminishing capacity of the agricultural sector to sustain a growing population triggered a rapid urbanization process placing an unbearable burden on the urban infrastructure. Income redistribution, land reform and decentralisation were viewed as policy options based exclusively on equity considerations, rather than as inescapable development imperatives, having profound efficiency implications. Some LDCs had begun decentralisation programmes at the village and district levels, and administrative reforms had been launched to revitalise public sector operations and staffing.

H. The enterprise sector

16. During the 1980s, private sector development began to play an increasing role despite the lack in many cases of an appropriate legal and institutional framework for the conduct of private entrepreneurship. There was greater recognition that the operation of public enterprises in the LDCs and the role of private initiative and competition should be approached in a balanced and pragmatic manner. Measures have been taken to improve the efficiency of the parastatal sector including reducing subsidies, but given the weakness of many institutions, further sustained efforts will be required. In some cases, programmes of divestiture have been implemented, but have encountered constraints owing to the small size of the investing public and the undeveloped nature of equity markets, associated with the low level of domestic savings and the lack of foreign investment.

## II. EXTERNAL ENVIRONMENT

### A. Trade

17. In the field of trade, the international economic environment of the 1980s has been difficult especially for the LDCs, given the heavy dependence of most LDC economies on the export of a handful of commodities. With their very weak manufacturing base, exports were almost exclusively of unprocessed primary commodities. The prevailing trend over the 1980s of a decline in world prices for raw materials of interest to the LDCs weakened the LDCs' export earnings and their import and debt-servicing capacity. Since prices of goods imported by the LDCs continued to rise, the terms of trade of the LDCs worsened significantly, causing a significant trade loss. The two main international compensatory financing schemes, the IMF's Compensatory and Contingency Financing Facility (CCFF) and the EEC's STABEX arrangement (enlarged to include the non-ACP LDCs) helped to reduce the adverse impact on many LDC economies, but coverage of such schemes was limited. Further, the IMF-CCFF has in recent years been less used on account of the conditionalities attached to it and the non-concessional terms it provides.

18. Special tariff preferences have been granted to LDCs and extended during the 1980s. However, trade barriers have affected actual and potential exports and discouraged diversification. Thus, certain LDC exports (especially textiles, vegetable oils, tobacco and sugar) faced tariff and non-tariff barriers in various parts of the world. In addition, some LDCs were excluded by certain importing countries from the full benefits of the Generalized System of Preference (GSP) and the "Special measures in favour of LDCs" adopted at the Tokyo Round. Moreover, consumer prices for tropical products have been kept relatively high in GSP donor countries through the application of high internal taxes. And in a large number of GSP schemes, semi-processed forms of products tend to be subject to considerably higher tariffs than the primary form, with ensuing disincentives for LDCs to process primary products for exports. Furthermore, more than 15 percent of LDC exports were subject to various non-tariff measures, especially clothing. Many LDCs lacked the expertise to derive full benefit from the various GSP schemes. Others, whilst aware that their products could find additional markets, lacked the resources to improve the quality and appearance of such products to the required standard. Moreover, co-operation between the LDCs and other developing countries, particularly at regional and subregional levels, did not develop as rapidly as hoped.

B. Resource flows

19. The 1980s have been marked by a slow down in the rate of increase of ODA and the drastic fall in private flows such as export credits and direct investment, with a virtual stoppage of commercial lending. As LDCs' resource needs grew substantially during that period, in particular in connection with additional financial requirements to support rehabilitation and adjustment programmes and growing debt service obligations, the volume of ODA has been generally insufficient taking into account the virtual disappearance of private flows. Although a number of donor countries met or exceeded the 0.15 per cent aid target, or increased very substantially their aid to LDCs, donors' ODA/GNP ratio remained on the average of 0.09 per cent throughout the 1980s. Increased ODA flows to the LDCs has been limited by budgetary restrictions in donor countries. Shortcomings in LDC capacity to implement projects and programmes have hindered further the supply of ODA to certain LDCs in adequate volume. Moreover, some major international institutions have not yet recognized the LDC category and this militates against their designing programmes and measures targeted at this category of countries. On the other hand, new concessional facilities of special importance for LDCs such as the Structural Adjustment Facility (SAF) and Extended Structural Adjustment Facility (ESAF) of the IMF and the World Bank Special Facility for Sub-Saharan Africa (SFA), have been set up recently.

20. Among the problems identified by donors and/or recipients were cumbersome procedures, protracted negotations, failure to identify or agree on priorities, too much tied aid, difficulty of meeting local costs and insufficient use of local products or skills. The adverse external environment also affected the ability of the LDCs to generate resource flows internally. The 1980s witnessed a significant depletion in the savings capacity of the LDCs in the face of rising population, declining economic growth and foreign exchange constraints.

C. LDC debt problems

21. External debt servicing emerged as a major problem for most LDCs during the 1980s. By the end of 1986, total accumulated external debt of the LDCs represented over 60 percent of their combined GDP, and service payments alone absorbed about 30 percent, and in many cases as much as 50 percent, of their exports of goods and services. Over one third of ODA to the LDCs (mainly from IFIs) was provided in the form of loans albeit on highly concessional terms, with consequent debt implications for the LDCs. Increasing debt service obligations to multilateral institutions and the weight of debt to private (commercial) creditors constituted a considerable burden on LDCs.

## III. CONCLUSIONS

22. During the latter part of the 1980s, major policy reforms were initiated by many LDCs to carry out structural transformation of their domestic economies to reduce or arrest budgetary and/or balance-of-payment deficits, improve the efficiency of utilisation of resources, promote mobilisation of domestic resources, and enhance the contribution of important sectors of their economies to GDP. More than half implemented stabilisation and adjustment programmes with the support of the IMF, the World Bank and others have pursued reform programmes outside the IMF framework. These programmes placed a heavy accent on introducing greater exchange rate flexibility and demand measures geared towards ensuring fiscal and monetary discipline. Many have also adopted major reforms under the aegis of the World Bank, principally directed towards improving the efficiency of public enterprises, expanding the role of private sectors in the domestic economy, and strengthening the directly productive sectors, particularly agriculture, through price incentives. There was an increased recognition of the need for sound domestic policies, including care for the environment and creation of a climate in which individual initiatives could flourish, given adequate and predictable external resources.

23. As regards the donors, a number took steps over the 1980s to improve the terms of their aid, and some also increased its real volume as a percentage of their GDP. Many donor Governments have cancelled ODA debt by means of retroactive terms of adjustment in pursuance of Trade and Development Board resolution 165 (S-IX), and the Toronto measures agreed by all Paris Club creditors marked a step forward in respect of offical debt relief. The EEC STABEX scheme was liberalised and extended to non-ACP LDCs. GSP schemes were introduced in the 1980s, and some aspects of the rules of origin liberalised. Lome Convention preferences - more favourable than those prevailing under the GSP - were applied to about two thirds of the LDCs and are being extended to cover all LDCs.

24. Some improvements were also observed over the 1980s in the mechanisms for distributing and coordinating aid. The establishment of the Country Review Mechanism was one of the major achievements of the SNPA. Other improvements were the extension of the time horizon and the inclusion of social considerations in the World Bank Consultative Group process. The new Round Table format was also welcome, and the policy dialogue at Round Table meetings has led to a better understanding of LDC policy frameworks and a better appreciation of their development assistance needs.

25. The assessment undertaken of the LDCs performance in the 1980s underlines the need for greater commitment to the formulation and implementation of a more coherent action-oriented programme for these countries in the 1990s, based on a strengthened partnership between the LDCs and their development partners. The chapters below set out in detail the proposed content of this programme of action.

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Intergovernmental Group on the
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Seventh session
(Preparatory Committee for the Second
United Nations Conference on the
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Geneva, 26 March 1990
Agenda item 6

# DRAFT ORGANIZATION OF WORK OF THE SECOND UNITED NATIONS CONFERENCE ON THE LEAST DEVELOPED COUNTRIES

## Draft organization of work submitted by the Chairman

1. As decided by the General Assembly, the Second United Nations Conference on the Least Developed Countries will be held in Paris, France, from 3 to 14 September 1990 and will be preceded by two-day consultations of senior officials on 30 and 31 August 1990.

2. The pre-Conference consultations, open to all participating States, will receive the recommendations of the Preparatory Committee and consider in particular all the outstanding organizational, administrative and procedural matters of the Conference, subject to the final decision of the Conference itself. The Chairman of the Preparatory Committee shall be the Chairman of the Senior Officials Meeting.

3. The provisional agenda for the Second United Nations Conference on the Least Developed Countries, is contained in document A/CONF.147/PC/L.3 - TD/B/AC.17/L.30 and follows the mandate of the Conference as contained in General Assembly resolution 42/177.

4. The Conference will formulate and adopt a programme of action for the 1990s covering :

"(i) To review progress at the country level thus far in the decade;

(ii) To review progress in international support measures and particularly in official development assistance;

(iii) In the light of (i) and (ii) above, to consider, formulate, and adopt appropriate national and international policies and measures for accelerating the development process in the least developed countries during the 1990s in accordance with their long-term national social and economic objectives."

5. It is the established practice for United Nations Conferences that the President of the Conference will be the head of the host country's delegation. In line with rule 6 of the provisional rules of procedure of the Conference, the Vice-Presidents will be elected after the election of the Chairmen of the Main Committees.

6. In order to facilitate the work of the Conference, it is suggested that in addition to the Plenary, two Main Committees should be established to consider the review of progress, and national and international policies and measures (items (i), (ii) and (iii) of paragaph 4 above) and to prepare texts of a programme of action for adoption by the Plenary.

7. The allocation of issues for consideration by the two Main Committees could be as follows:*/

Committee I

1. Programme of Action for the 1990s

   a) Basic principles
   b) The global framework
   c) Arrangements for follow-up, monitoring and review

Committee II

1. Review of progress at the country level
2. Review of progress in international support measures
3. Programme of action for the 1990s

   a) Mobilizing human capacities in LDCs
   b) Modernization and integration of the productive base
   c) Special problems of land-locked and island least developed countries

8. The total available services for meetings will be distributed, as required, among the Plenary, the two Main Committees, the General Committee, the Credentials Committee, and other sessional bodies that may be established by the Conference, and regional group meetings. Facilities exist for a maximum of three simultaneous meetings to be held with interpretation each morning and afternoon.

9. A "meeting" is deemed to have an average duration of three hours; thus, the services provided for a meeting of three hours might, on occasion, be shared between two sessional bodies, and/or contact or regional groups, provided that the meetings so linked together take place consecutively.

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*/ Exact formulation of the subheadings will be adjusted in the light of the draft programme of action prepared by the Preparatory Committee.

10. It is suggested that the working hours of the Conference should be 10.00 a.m. to 1.00 p.m. and 3.00 to 6.00 p.m., Monday to Friday, the period from 9.30 a.m. to 10.30 a.m. being reserved for group meetings to the extent possible. However, in order to accommodate the many speakers intending to participate in the general debate, it will be necessary for plenaries devoted to this item to start punctually at the scheduled hour (i.e. 10.00 a.m. and 3.00 p.m.). A proposed tentative schedule of meetings and debate under agenda items 8, 9, 10 is given in the annex below.

11. The general debate has been scheduled from 4 to 12 September. It is suggested that the list of speakers in the general debate should be closed on 7 September. There shall be no general debate in the Main Committees.

12. Governments would, in so far as possible, designate as heads of delegation persons of ministerial or equivalent rank.

13. In order to enable the Conference to conclude its work on time and in the interest of an orderly organization of its work, it would appear essential that a timetable be approved at the beginning of the session and that every effort be made to adhere to it. The attached tentative timetable suggests a broad allocation of services for the duration of the Conference. The secretariat has considered it necessary to make tentative provision for two evening plenaries. It is possible that more evening plenaries may prove necessary.

ANNEX

## Tentative schedule of meetings

### First week: 3-7 September, 1990

#### Monday, 3 September 1990

a.m.

Inaugural Ceremony
(organized by host Government)

p.m.

PLENARY

1. Opening of the Conference including statements
2. Election of the President
3. Adoption of the rules of procedure
4. Adoption of the agenda and organization of work
5. Establishment of sessional bodies
6. Election of officers other than the President
7(a). Appointment of the members of the Credentials Committee

#### Tuesday, 4 September 1990

a.m.

Plenary - General debate

p.m.

Plenary - General debate

Committee I and Committee II to elect officers and organize and start their work
Committee I - Macro-economic policies and measures
Committee II - Review of progress

#### Wednesday, 5 September 1990

a.m.

Plenary - General debate

Committee I - Macro-economic policies and measures
Committee II - Review of progress

p.m.

Plenary - General debate

Committee I - Macro-economic policies and measures
Committee II - Review of progress

Thursday, 6 September 1990

a.m.

Plenary - General debate

Committee I - Macro-economic policies and measures
Committee II - Review of progress

p.m.

Plenary - General debate

Committee I - Macro-economic policies and measures
Committee II - Sectoral policies and measures

Evening

Plenary - General debate if required

Friday, 7 September 1990

a.m.

Plenary - General debate

Committee I - Macro-economic policies and measures
Committee II - Sectoral policies and measures

p.m.

Plenary - General debate

Committee I - Macro-economic policies and measures
Committee II - Sectoral policies and measures

Second week: 10-14 September 1990

Monday, 10 September 1990

a.m.

Plenary - General debate

Committee I - Macro-economic issues
Committee II - Sectoral policies and measures

p.m.

Plenary - General debate

Committee I - Macro-economic issues
Committee II - Sectoral policies and measures

Evening

Plenary - General debate if required

Tuesday, 11 September 1990

a.m.

Plenary - General debate

Committee I - Macro-economic issues
Committee II - Sectoral policies and measures

p.m.

Plenary - General debate

Committee I - Macro-economic issues
Committee II - Sectoral policies and measures

Wednesday, 12 September 1990

a.m.

Plenary - General debate concludes

Committee I - Macro-economic issues (completion of their work)
Committee II - Sectoral policies and measures (completion of their work)

p.m.

Meeting of the Credentials Committee
Meeting of the President's Group
Preparation of the report of the Conference

Thursday, 13 September 1990

a.m.

Meeting of the President's Group
Preparation of the report of the Conference

p.m.

Meeting of the President's Group
Preparation of the report of the Conference

Friday, 14 September 1990

a.m.

No official meetings scheduled

p.m.

Final Plenary of the Conference
Report of the Credentials Committee
Adoption of the report of the Second United Nations Conference on the Least Developed Countries